THE HINDU
BusinessLine

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CHENNAI
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Ahmedabad Bengaluru Chennai Coimbatore Hubballi Hyderabad Kochi Kolkata Madurai Malappuram Mangaluru Mumbai Noida Thiruvananthapuram Tiruchirapalli Tirupati Vijayawada Visakhapatnam

Regd. TN/ARD/14/2012-2014, RNI No. 55320/94

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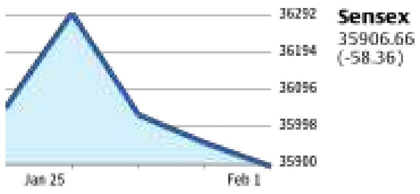

	LATEST	CHANGE
Nifty 50	11016.90	-10.80
P/E Ratio (Sensex)	25.40	-0.02
US Dollar (in ₹)	64.02	+0.44
Gold Std 10 gm (in ₹)	30350.00	+150
Silver 1 kg (in ₹)	39375.00	+175

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MODINOMICS
How Finance Minister Arun Jaitley chipped away at the 'jobless growth' problem

75 years

FULL STEAM AHEAD
With fresh focus on new infrastructure, the Railways gets the highest allocation ever

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THE LOTUS IS THE FOCUS

With eyes firmly on the 2019 polls, Jaitley targets the distressed sections of the economy which were drifting away from the BJP

RAGHUVIR SRINIVASAN
Chennai, February 1

Any which way you look at it, elections appear written all over Budget 2018. Finance Minister Arun Jaitley has focussed on the distressed sections of the economy — mainly farmers, informal workers and the rural sector — which were drifting away from the ruling party.

The objective behind the standout proposals — and there are a few of them — appears as much to apply salve on their wounds as to ensure that the votes consolidate behind the NDA.

India Inc and the middle class have been left out of the party — the increase in turnover cap for the 25 per cent tax slab on corporate earnings will still exclude the entire listed universe — but with GST, the former has already got its bonus before the Budget.

ModiCare

The most outstanding proposal of all, one that this Budget will be remembered for, is the initiation of a universal health care programme for the needy. The scheme, designed to provide an annual health cover of ₹5 lakh per family for secondary and tertiary care, will cover 50 crore people, which is almost 40 per cent of the population. But it is doubtful if this government will be able to reap the political benefits — the details are yet to be fleshed out and the scheme may not roll out in time for the 2019 general elections. Unsurprisingly, there is no allocation for this scheme in the budget.

The biggest challenge before Jaitley was job creation and he has chosen to address it tangentially. He is pinning his hopes on a rural revival by increasing spending on livelihood and infrastructure creation and by giving a leg-up to MSMEs, which are potential job creators. The Finance Minister is banking on MSMEs to invest the funds freed up by lower corporate taxes, but given that most of these companies are in distress and in the red, it is doubtful if the strategy would work immediately.

No infrastructure push

The other big job creator, infrastructure, does not seem to have got significant outlays except for Railways, whose capex has been pegged at ₹1,48,528 crore. It is a bit disappointing that Jaitley has not chosen to give a push here, especially because private investment is not anywhere near revival.

The question of farm distress has been addressed with a a higher support price — farmers will get 1.5 times their production cost for all crops, but it remains to be seen if this will cheer them as the problem has been not so much with the price as with procurement by government agencies.

Improved market access for farmers gets a push with 22,000 rural *haats* to be turned into digitally connected Gramin Agricultural Markets (GrAMs), which will be linked to the electronic National Agriculture Market (e-NAM) network and exempted from regulations of politically controlled APMCs. An Agri-Market Infrastructure Fund with a corpus of ₹2,000 crore is also on the anvil.

Jaitley has also earned the blessings of senior citizens by increasing the exemption limit for interest income on deposits to ₹50,000 from ₹10,000 earlier, raising the deduction for health insurance premium and/or medical expenditure from ₹30,000 to ₹50,000 and increasing the deduction for expenditure on critical illness to ₹1 lakh. The Finance Minister obviously does not see the 1.89 crore middle-class salaried taxpayers who filed returns as a vote bank. The standard deduction of ₹40,000 that he has proposed is piffling.

Worse, it substitutes existing deductions available for transport allowance and medical expenses, which add up to ₹34,200. The net benefit of ₹5,800 will be eroded further if one considers the 1 percentage point increase in health and education cess.

Not surprising then that while the loss to the exchequer will be ₹8,000 crore from the standard deduction introduction, the gain from the cess will be ₹11,000 crore, leaving it richer by ₹3,000 crore!

Compliance goes unrewarded

Interestingly, the middle-class taxpayer has been let down at a time when compliance is rising: the effective taxpayer base zoomed by 27 per cent to 8.27 crore at the end of 2016-17 from 6.47 crore at the start of 2014-15.

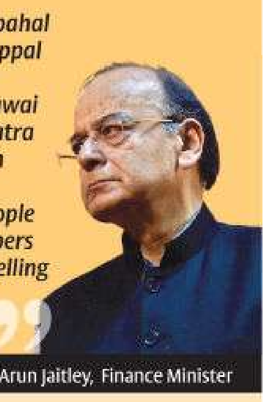
The other constituency that has reason to be miffed is the stock market, where long-term capital gains tax has been introduced. However, in his effort to soften the blow Jaitley, may have made the proposal unfriendly: arguments and disagreements between assessees and the department lie ahead.

Fiscal slippages

Taking cover behind an exceptional year owing to the introduction of GST, Jaitley has let the fiscal deficit target slip by 30 basis points to 3.5 per cent for this year and set the next year's target at 3.3 per cent while accepting the FRBM committee's recommendation to cap government debt at 40 per cent of GDP. This is not likely to go down well with the markets, especially because the extra spending is not seen to be rewarding the economy.

With the two main questions of job creation and manufacturing revival not being addressed well enough, will this Budget deliver the political goods for the BJP? Jaitley has chosen to leave the job to private investment aided by a revival of exports, and that appears a dicey move. He may yet get lucky if the green shoots that are visible now sustain themselves and grow.

STATE OF THE UNION



Sarkar ki iss pahal se hawai chappal pehnne wale nagrik bhi hawai jahaj mein yatra kar rahe hain (With this initiative, people wearing slippers are also travelling in aircraft)

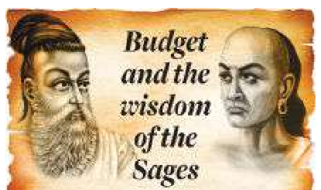
Arun Jaitley, Finance Minister

Agri and Rural
- MSP for kharif crops to be at least at one-a-and-half times the production cost
- ₹10,000 cr infra development fund for fisheries, aquaculture and animal husbandry

Social sector
- Flagship National Health Protection Scheme to cover over 10 crore poor families
- Ujjwala scheme to provide LPG connections extended to 8 crore poor women

Infrastructure
- Railways' capex for 2018-19 pegged at ₹1,48,528 cr
- Airport capacity to expand five-fold
- Bharatmala Pariyojana to develop about 35,000 km of roads in Phase-I at an estimated cost of ₹5.35 lakh cr

Tax
- Marginal benefit for salaried taxpayers and pensioners
- Long term capital gains on equity re-introduced
- Corporate tax reduced to 25% for companies with turnover up to ₹250 cr



Budget and the wisdom of the Sages

While preparing their Budgets, Finance Ministers draw inspiration from philosophers and litterateurs. In 1991, Manmohan Singh echoed Victor Hugo and characterised reforms as "an idea whose time has come." P Chidambaram was fond of quoting the Tamil saint-poet Tiruvalluvar; Yashwant Sinha was given to invoking the wisdom of Chanakya, the adviser to Chandragupta Maurya. As part of our coverage of Budget 2018, we offer a few nuggets of wisdom from Tiruvalluvar's *Tirukkural* and Chanakya's *Arthashastra*; these verses relate to the state's management of finances, and to taxation and welfare policies. The artful translations of the kurals are drawn, with permission, from *Tiruvalluvar: The Tirukkural* by Gopalkrishna Gandhi, published by Aleph Book Company. The English translations of the Arthashastra are from *Kautilya: The Arthashastra* by LN Rangarajan, published by Penguin.

INSIDE

A cheerless Budget that taxed the spirits

Subdued mood in Parliament reflects the strained equation between Modi and Sonia

OUR BUREAU
New Delhi, February 1

Language being the veteran lawyer's forte, Finance Minister Arun Jaitley raced through the Opposition's verbal blows and switched seamlessly from English to Hindi whenever the populist aspects of the political economy needed to be clearly defined for the provincials.

In his sober grey tunic and dark jacket, the Finance Minister set a sombre tone for his last full Budget, skipping the poetic flourishes preferred by his predecessors. The presentation was largely a tepid affair. Only Shatrughan Sinha, in dark shades, provided a show-stopper moment with his swagger and fashionably late arrival.

The Lok Sabha missed its usual Budget Day sideshow of camaraderie and laughter as the equation between Prime Minister Narendra Modi and Congress supremo Sonia Gandhi appeared strained. Modi rarely smiled, even when he thumped his approval of the healthcare plan and sops for the farm sector; Sonia sat stiffly through the proceedings.

A few light moments

Yet, a few legislators made sure they extracted some fun during the almost two-hour-long Budget speech, even if it was at their own expense.

Guffaws and chants of "what's in it for us" rose when Jaitley announced revisions in emoluments for the President, Vice-President and the Governors. The Finance Minister halted for a few seconds, and smiled as he carried on, saying: "There has been a public debate with regard to the emoluments paid to Members of Parliament. Present practice allows the recipients to fix their own emoluments, which invites criticism."

Sombre There were no smiles to be seen on the treasury benches

The professorial Saugata Roy of the Trinamool Congress was at the forefront of the Opposition's intermittent disruptions, baiting the Finance Minister loudly during his policy pronouncements on agriculture and job creation.

"Farmers have not stopped committing suicide, Mr Jaitley," the elderly MP shouted when the Finance Minister was asserting that the government's emphasis was on generating higher incomes for farmers.

Congress MP from Rohtak Deepender Hooda led his party's backbenchers, while Prof Roy chipped in during Jaitley's claims on job creation. "Let all the young people sell *pakoras*," he quipped, alluding to Modi's comments last fortnight.

Barring these moments of sparkle, the overall ambience in the Lower House remained subdued. The Opposition seemed to pull its punches and the treasury benches were a column of disciplined soldiers under the Prime Minister's command.

The routine bonhomie and humour seemed to have evaporated from the annual ritual of the Union Budget this time around.

MEANWHILE....

Manufacturing growth slips to 3-month low in January

PRESS TRUST OF INDIA
New Delhi, February 1

The manufacturing sector grew in January at its slowest pace in three months as factory output, new business orders and employment rose at slower rates, a monthly survey said on Thursday.

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell from December's 60-month high of 54.7 to 52.4 in January, indicating modest improvement in operating conditions across India's goods-producing economy. This is the sixth consecutive month that the index remained above the 50-point-mark, which separates expansion from contraction, but the rate of expansion is the lowest in three months.

"Following December's stellar performance, growth in the Indian manufacturing economy lost some impetus, reflected by slower growth in output, new orders and employment," said Aashna Dodhia, Economist at IHS Markit and the author of the report.

E-way bill implementation deferred due to glitches

PRESS TRUST OF INDIA
New Delhi, February 1

The government on Thursday deferred implementation of the requirement for carrying e-permits for inter-State transportation of goods following technical glitches.

A GST provision under which transporters had to carry an electronic-way bill when moving goods between States was to be implemented from Thursday to check tax evasion.

"In view of difficulties faced by the trade in generating e-way bill due to initial technological glitches, it has been decided to extend the trial phase for generation of e-way bill, both for inter and intra-State movement of goods. It will be applicable from a date to be notified," the Central Board of Excise and Customs (CBEC) tweeted.

GST Network, which is developing the tech backbone for GST, has been conducting trial runs.

Blow to BJP as Congress sweeps Rajasthan bypolls

PRESS TRUST OF INDIA
Jaipur, February 1

Congress candidates looked certain to wrest two Lok Sabha seats in poll-bound Rajasthan from the ruling BJP, having established unassailable leads in bypolls, the counting for which began on Thursday. Apart from leading in the Alwar and Ajmer parliamentary seats, the Congress' candidate Vivek Dhakad won the Mandalgarh Assembly seat, earlier held by the BJP.

The Congress' Karan Singh Yadav and Raghu Sharma were leading their nearest rivals, Jaswant Yadav and Ram Swaroop Lamba of the BJP, by over 1.94 lakh and 80,455 votes in the bypolls for Alwar and Ajmer seats respectively, Chief Electoral Officer Govind Sharma said.

In 2014, the BJP had won all 25 Lok Sabha constituencies in the State. The party, which in 2013 wrested power from the Congress, has 161 MLAs in the House of 200. Assembly polls in Rajasthan are due later this year.

731

தள்ளா விளையுளும் தக்காரும் தாழ்விலாச்
செல்வரும் சேர்வது நாடு

In produce unfailing, unceasing in the raising of wealth
That land of good people is a nation in good health

FROM OUR RESEARCH BUREAU

Rajalakshmi Nirmal

More options for commodities trade

Several key announcements have been made for the commodity market. First, options on commodity derivatives that are presently recognised as 'option in securities' under SCRA, have been included in the definition of taxable commodity transaction through amendment to the Finance Act, 2013. Secondly, while STT (Securities Transaction Tax) is applicable on the options on commodity derivatives so far, from April 1, 2018, CTT (Commodities Transaction Tax) will be applicable on them.

The CTT to be paid by the seller of an options contract on commodity derivative remains unchanged at 0.05 per cent on the premium amount.

However, with effect April 1, the tax to be paid by the purchaser on exercise of an options contract on commodity derivative has been cut to 0.0001 per cent (on settlement value) from 0.125 per cent at present. This is set to boost interest in option contracts and could see exchanges launching new commodity option contracts in the coming year.

What is also a positive is that the FM has said that trading in any agriculture commodity derivatives will not be treated as speculative even if they are not charged CTT, by amending Section 43 (5) (e) of the Income Tax Act. This is a welcome move, as this lets any trader in agri futures/options contract to set off his loss against business income (if any) and reduce his total tax outgo. Currently, this benefit is available only for commodity derivatives on which CTT is applicable – gold, silver, energy and other non-agri and agri-processed commodities.

The FM gave a boost to gold traders by announcing that the Centre will soon formulate a comprehensive gold policy and develop gold as a separate asset class. This means that gold could get a separate spot exchange and a regulator to look into its trading.

With a gold spot exchange, India – the second largest market for the yellow metal in the world — will set its own benchmark price for gold; instead of relying on the LBMA price. In addition to benefit of transparent pricing, the participants in the spot market will also have quality assurance and higher liquidity. It will bring more banks and institutional players into the market.

The FM also indicated that the gold monetisation scheme will be revamped.

Will Jaitley's bonanza weed out farm distress?

MSP for kharif crops fixed at 1.5 times the cost of production, but no near-term respite for farmers

OUR BUREAU

Bengaluru, February 1

The slew of measures announced in the Budget for strengthening agriculture, including fixing the minimum support price (MSP) for kharif crops at 1.5 times the cost of production, if implemented well, could possibly push up the farm incomes in the long run — in line with doubling farmers income by 2022.

No debt relief

However, the Budget appears to provide no near-term respite for the farmers, who have been reeling under the impact of low prices. Besides, Finance Minister Arun Jaitley has also belied the farmers' expectations on a direct income support that the Economic Survey had advocated and a debt relief.

Presenting the NDA government's last Budget, Jaitley hiked the food subsidy by 21 per cent or around ₹30,000 crore to ₹1,69,323 crore for the next financial year, majority of which will go towards funding the MSP purchases.

The outlay for the Agriculture Ministry has been increased by 13 per cent to ₹46,700 crore, including a 21.5 per cent hike in allocation for the ambitious Pradhan Mantri Fasal Bima Yojana to ₹13,000 crore from the revised estimate of ₹10,698 crore.

However, the outlay towards the market intervention scheme and price support scheme has been pared down drastically to ₹200 crore from the revised estimate of ₹950 crore.

While the target for farm credit has been raised by a tenth to ₹11 lakh crore, the Budget, however, fell short of making a large outlay towards tackling the impact of climate change, which threatens to shrink farm incomes by up to 25 per cent in the medium-term, which the Economic Survey had warned.

Infrastructure funds

Jaitley announced setting up of a₹10,000-crore infrastructure fund for fisheries and aquaculture, and a ₹500-crore fund for boosting supplies of politically-sensitive commodities such as onion, potato and tomato, while doubling the allocation to ₹1,400 crore to the Food Processing Ministry.

Outlay towards irrigation and the national food security mission has been hiked to ₹4,000 crore (₹3,000 crore) and ₹3,600 crore respectively.

Jaitley also announced the launch of National Bamboo Mission with an outlay of ₹300 crore.

However, Jaitley's biggest announcement was relating to the fixing the kharif MSP at 1.5 times the cost of production, which, besides boosting farm incomes, could also fuel inflation because of higher prices of farm produce.

Jaitley said the MSPs of most of the rabi crops have already been raised and the government will ensure farmers get MSP even if prices fall. The NITI Aayog will discuss with the State governments putting in place of an institutional mechanism to ensure that farmers get better prices for their produce.

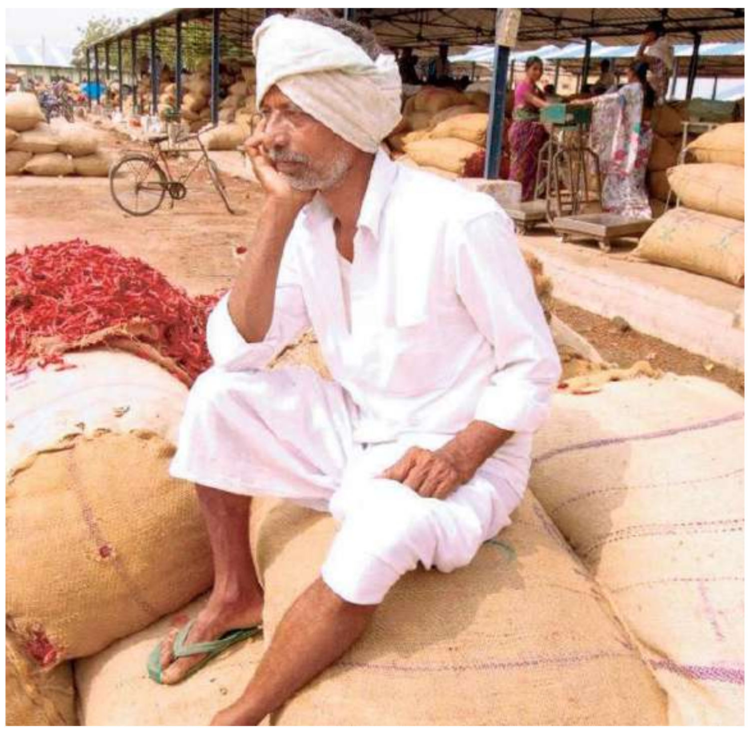
U-turn

The major recommendation of the MS Swaminathan Commission, made way back in 2006 to alleviate farm distress, seems to be finally getting implemented. Though the BJP in its election manifesto in 2014 had promised an MSP of 50 per cent over cost of production, it later backed off from implementing it citing that it would 'distort' markets.

"We are really surprised because the government had given an affidavit in the Supreme Court that they would be unable to provide cost plus 50 per cent. With the claim that the government has provided for higher rabi MSP, they need to withdraw the affidavit now," said Devinder Sharma, a food policy analyst. Jaitley should have taken a cue from Telangana, which has provided an income support of ₹8,000 per year, and extended the concept nationally, he added.

Farmers groups have been demanding that the government consider comprehensive costs (C2), which includes imputed rent on land and capital as the cost of production — while the government largely uses operational costs (input costs and family labour) as the cost of production — while announcing the MSP.

"It is a big disappointment for the farmers. The announcement on MSP is a hoax on the farmers. The claim that they are implementing the promise on MSP is very misleading. This is shifting of goalposts — taking a lower estimate of Cost of Production and claiming 50 per cent margin," said Kiran Vissa of Raithu Swaraj Vedike.



The outlay for the Agriculture Ministry has been increased 13 % to ₹46,700 cr GN RAO

Holy mackerel! Fishers elated by kisan credit card plan

V SAJEEV KUMAR

Kochi, February 1

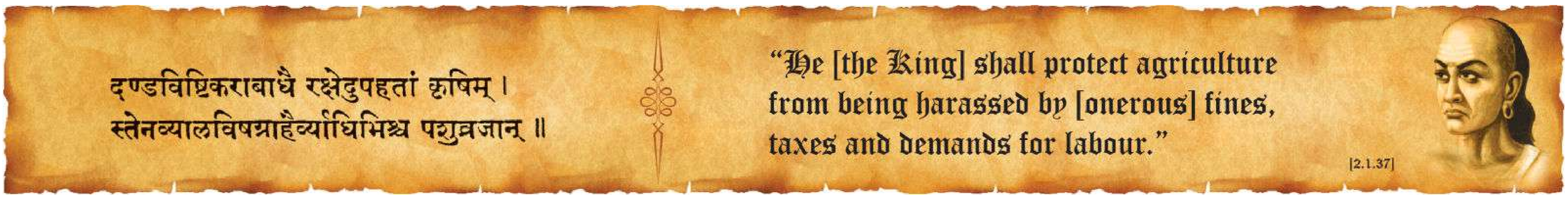
The fishery sector gave a thumbs-up to the Budget on the allocation of funds as well as expanding Kisan Credit Cards to fishermen.

The stakeholders maintained that the "move assumes significance in the wake of a collective attempt to usher in the Blue Revolution to meet the growing demand for fish".

The funds can be utilised to enhance basic infrastructure, social safety nets such as insurance, supply of quality breeding materials, genetically improved fish seeds, etc which can considerably augment the productivity and incomes of small holders in fisheries, A Gopalakrishnan, Director, Central Marine Fisheries Research Institute told *BusinessLine*.

A Ramachandran, Vice-Chancellor, Kerala University of Fisheries and Ocean Studies, said the investment in the development of the 'Blue Economy' will ensure environmental sustainability of the oceans and coastal areas, besides boosting the traditional ocean industries such as fisheries, tourism and maritime transport. However, the All Kerala Fishing Boat Owners Association reacted cautiously on expanding KSC facility saying that it requires more clarity especially on meeting fuel expenses of fishing boats.

"We need a credit facility to meet fuel expenses and it would be ideal if such costs come under the KSC purview," Joseph Xavier Kalappurackal, General Secretary of the association, said.



FROM OUR RESEARCH BUREAU

RAJALAKSHMI NIRMAL

A much-needed relief for farm sector

The changes

The Budget had several ground-breaking measures for the farm sector, but, some lacked clarity. First is the favourable tax treatment for FPOs (farmer producer organisations). These organisations have been wanting a tax-relief for a long time. Though farm income is not taxed, farmer groups that organise themselves as FPOs and register as a company, had to pay tax on profits, if any, they make. But now, the FM has given 100 per cent deduction on profits made by such companies. This benefit is applicable on profits of all FPOs with a turnover of up to ₹100 crore.

e-NAM, which has been stuck on poor implementation by the States and lack of infrastructure, is set to draw benefits from the ₹2,000 crore allocated for 'Agri-market infrastructure fund'. Currently, each of the 470 markets under e-NAM gets a cash assistance of ₹75 lakh to set up the necessary infrastructure. But, many States find this insufficient. The FM also indicated that the 22,000 rural *haats* (small agri markets) will be developed into Gramin Agriculture Markets and linked under e-NAM. This will help small farmers in selling their produce directly to buyers by by-passing commission agents.

Takeaways

- FPOs with turonover upto ₹100 crore to get 100% deduction on profit
- ₹2,000 crore allocated for 'Agri-market infrastructure fund'
- Cost plus 50% as MSP for all crops

The FM also assured cost plus 50 per cent on all crops including those that are sown in kharif. But, irony is that already, for rabi crops, the CACP has been fixing MSP at over 100-150 per cent of cost (which gives a 50 per cent profit margin), and farmers are unhappy. In gram, for instance, the MSP is 112 per cent over the actual paid out cost of the farmer; in lentil it is 165 per cent. So, what worries farmers is – first, there is very minimal procurement at MSP. Though the price support is announced for 22-plus crops, only in paddy and wheat, it is effective to some extent and in fruits and vegetables there is no procurement at all. The FM has said that it will be ensure that there is effective procurement at MSP across crops, but, what is also crucial is the strategy to dispose these stock. If the Centre sells the bulk of the crops in the market, market will destabilise. Another reason why farmers are unhappy with current MSP is that the CACP cost estimates are not always right. The cost of production differs from State to State and from farmer to farmer. Take, for instance, labour costs. In 2016, the daily wage rates for agri labour was ₹180-200/day in Madhya Pradesh, but ₹360-380/day in Haryana and ₹660-670/day in Kerala.

The background

The Centre has been under immense pressure to uplift the farm sector. The agri-GDP growth in the last four years averages to 1.85 per cent. But, many of the farmer welfare schemes launched have made only a slow progress.

The Verdict

The intention is good, but for the success of the schemes, execution support from States is needed.

TWEETOSPHERE

#Budget2018 provides impetus to the sectors of #agriculture and rural economy with many significant measures which will add to overall consumption and demand and boost growth

Shobana Kamineni
President, CII

Farm trade unshackled

Agri-commodity exports could treble to $100 billion; more digitisation of mandis on the cards

TV JAYAN
New Delhi, February 1

The National Democratic Alliance (NDA) government's last full budget before the next general elections placed premium in liberalising agricultural exports and in bringing in more digitisation in commodity markets.

While tabling his fourth Budget in Parliament on Thursday Finance Minister Arun Jaitley said India, which currently exports agricultural produce worth $30 billion, has the potential to treble the exports and to realise this, there is a need to liberalise the exports of agri-commodities from the country. However, the minister did not spell out the time frame in mind for enhancing the exports.

Quality norms

However, Jaitley proposed setting up of modern testing facilities at 42 mega food parks located across the country to ensure Indian consignments are not rejected by importing countries.

To further deepen NDA regime's one-nation-one-market motto, the FM said more agricultural produce marketing committees (APMCs) would be integrated with e-NAM. Currently, 470 APMCs are linked to e-NAM and this number would go up to 585 by March this year, Jaitley said.

To smoothen the digitisation of the agri-commodity markets, the minister announced a ₹2,000-crore Agri-Market Infrastructure Fund. The corpus would also be used to upgrade 22,000 rural *haats* into Gramin Agricultural Markets (GrAMs) that will electronically be linked to e-NAM and exempted from regulations of APMCs.

"The move to develop existing 22,000 rural *haats* into GrAMS for helping farmers for direct sales is a welcome move," said RG Agarwal of Dhanuka Agritech Limited.

Jaitley also proposed an institutional mechanism to develop appropriate measures for price and demand forecasts, use of futures and options market and expanding warehouse depository system.

He also stressed on the need for taking timely decisions on export and import of agricultural commodities. The government in the past attracted a lot of criticism from both farmers and experts alike for its dilly-dallying on exim policy front.

Fillip to horti crops

To promote horticulture crops, which have huge export potential, the Budget proposed a cluster-based approach where different clusters would be developed for specific crops in districts known for them.

"Cultivation of horticultural crops in clusters can bring advantages of scales of operations and can spur establishment of entire chain from production to marketing," Jaitley said in his budget speech.

"The cluster approach for horticulture crops would help in linking production to markets and ensuring farmer's profitability," said KC Ravi, Vice-President at Syngenta South Asia.

A ₹2,000-cr agri-market infrastructure fund will be used to upgrade 22,000 rural *haats* into Gramin Agricultural Markets that would electronically be linked to e-NAM and exempted from regulations of APMCs THE HINDU

Supporting FPOs

The Finance Minister said the government would also encourage organic farming by FPOs as well as village producer organisations.

Similar support would be extended to women self-help groups to take up organic farming under the National Rural Livelihood Programme.

The minister also proposed a fund of ₹200 crore for cultivation of medicinal and aromatic plants and associated industry as a large number of small and cottage industries are involved in the manufacture of perfumes, essential oils and similar products.

Jaitley said the NDA government considers agriculture as an enterprise and wants to help farmers produce more from the same land parcel at lesser cost and realise higher prices for their produce.

VISUALLY | RAJALAKSHMI NIRMAL

Farm sector: How's the harvest?

In the last three years, there have been many agri schemes launched with the objective of doubling farmers' income. Have these made any progress?

Pradhan Mantri Fasal Bima Yojana

Objective: To protect farmers' income from vagaries of monsoon

	2016-17	2015-16
Coverage - in terms of gross cropped area (in %)	30	23
Total sum insured (in ₹ crore)	2,04,779	1,14,952
Number of farmers covered (in crore)	5.74	4.85
of which non-loanee farmers are (in crore)	1.29	0.2425

Issues *(as indicated by Centre for Science and Environment)*

- Sum insured lower than scale of finance in many States
- Threshold yield that determines compensation for farmers is low
- Delay in claim settlement by insurance companies
- Negligible coverage of tenant farmers
- Non-existence of grievance redress mechanism

Electronic National Agriculture Market

Objective: To remove middlemen and provide better price for farmers

No. of APMCs covered so far	470
Reach (in terms of number of States)	14
Target APMCs by 2017-18	585
No. of farmers registered (in crore)	7.212

Issues

- No inter-State trade yet
- Absence of grading/assaying infrastructure at mandis

Pradhan Mantri Krishi Sinchayee Yojana

Objective: Providing water for every farm

Investment target for the period 2015-16 to 2019-20 ₹50,000 crore

Projects targeted for completion under Accelarated Irrigation Benefits Programme by March 2017	23 of the total 89
Project Status - December 2016 as stated in Buget 2017-18	All are work-in-progress

Area brought under micro-irrigation (in lakh hectare)

2015-16: 5.7 | 2016-17: 8.39 | Target for 2017-18: 12

Issues

- Shortage of funds
- Slow implementation at the states end

Soil Health Card

Objective: To improve crop yield by making farmers aware about health of the soil

as of Jan 16, 2018

No. of soil health cards printed	10.24 cr
No. of soil health cards distributed	10.05 cr
Total farm households	12 cr

Issues *(as indicated a study done by National Productivity Council)*

- Manpower challenge in collecting samples
- Lack of power supply and internet connectivity at labs in villages
- Shortage of funds for printing cards

GRAPHIC: KS GUNASEKAR

Operation Greens to power up the supply chain

Centre earmarks ₹500 cr for the project

SHOBHA ROY
Kolkata, February 1

The year 2017 was a nightmare for potato farmers in West Bengal. The State reported a 22 per cent jump in production of the tuber at 110 lakh tonnes (lt) in 2016-17 leading to a price crash.

Prices at the time of harvesting (in December-January), were ruling as low as ₹110-120 a packet of 50-kg or around ₹2.4 a kg.

Cut to 2018: tomato prices at the Vashi wholesale market plummeted to ₹6-7 a kg from ₹-20 only about a fortnight ago. Onion prices at Lasalgaon in Maharashtra, Asia's largest wholesale market, declined to ₹25/kg from ₹30-35 last week on improved supplies.

Price volatility brought about by variation in production is unique to most agri-commodities, particularly so for vegetables such as tomato, onion and potato, which are consumed throughout the year.

According to Finance MinisterArun Jaitley, the seasonal and regional production of these perishable commodities pose a challenge in connecting farmers and consumers in a manner that satisfy both.

The government has thus proposed to launch Operation Greens on the lines of Operation Flood to promote Farmer Producers Organisations (FPOs), agri-logistics, processing facilities and professional management. The Centre has allocated a sum of ₹500 crore for the project.

According to industry experts, though the exact contour of the project is yet to be understood, it will provide impetus to the food processing industry. It will also help provide incentive to farmers to go for cultivation of the processing variety of the crop.

Tackling excess production

"Diversified consumption needs to be encouraged; farmers should be incentivised to grow export quality and processing variety of potato," said Patit Paban De, President, West Bengal Cold Storage Association.

"Any production exceeding 100 lakh tonnes could lead to a crisis due to price crash. This is where we need to encourage diversified consumption."

According to Sandeep Sabharwal, CEO, Sohan Lal Commodity Management, the allocation of ₹500 crore for Operation Greens, to provide logistics, storage and other infrastructure support, will provide impetus to the food-processing industry.

"By promoting agro-processing and agri-logistics, the government has provided a fertile ground for streamlining and formalising the supply-chain sector. This will lead to direct linkages between farmers and the food-processing sector," said Dhirendra Singh, Chairman, Manpasand Beverages.

POCKET

Import duty hike to boost domestic oilseed crushing

RUTAM VORA
Ahmedabad, February 1

A broad-based increase in the import duty for vegetable oils is seen as a booster dose for the domestic crushing industry and the overall edible oil sector.

The hike in import duty on crude edible oils from 12.5 per cent to 30 per cent and on refined oils from 20 per cent to 35 per cent was in line with the recommendations made by several trade bodies. However, there were some misses too.

Atul Chaturvedi, P resident, Solvent Extractors' Association of India, said, "By and large our recommendations were accepted but a few demands such as increasing the duty differential between crude palm oil and RBD palmolein at 15 per cent is still a work in progress. Secondly, we had demanded to form a oilseed development fund from the revenues of the increased duties aiming at the country's edible oil security, but that has been missed in the Budget."

However, while there is no specific benefit to the edible oil sector, the Finance Minister Arun Jaitley hiked the import duty on crude cottonseed oil from 12.5 per cent to 30 per cent; CPO at 33 per cent against 30.9 per cent; RBD Palmolein at 44 per cent against 41.2 per cent earlier.

The import duty on refined cottonseed oil has risen to 35 per cent from 20 per cent.

Davish Jain, Chairman, Soyabean Producers Association of India, said, "Customs Duty on crude canola/rapeseed/mustard oil and sunflower oil is still lower by 5 per cent than other crude oils such as soyabean and palm and this is a matter of great concern. We are disappointed that our request for an Oilseed Development Fund has not been accepted."

545

இயல்புளிக் கோலோச்சும் மன்னவன் நாட்ட
பெயலும் விளையுளும் தொக்கு

Where the king wields his sceptre well with laws and codes in train
There the rain stays to cycles true and gilds the fields with grain

FROM OUR RESEARCH BUREAU

Dhuraivel Gunasekaran

Finding the funds and making it work

The change

The allocation to healthcare sector in the Budget has risen by a meagre 2 per cent from ₹53,294 crore in 2017-18 to ₹54, 600 crore.

However, the announcement of the National Health Protection Scheme as part of Ayushman Bharat is a major initiative. Secondly, allocation of ₹1,200 crore for providing comprehensive healthcare to the people through health and wellness centres is a welcome move. The Government has also allocated additional ₹600 crore to provide nutritional support to all TB patients.

Further, the Government has announced setting up of 24 new government medical colleges and hospitals by upgrading existing district hospitals in the country.

The background

Poor funding and poor management of health funds had been a cause of concern in the Indian healthcare sector. Government spending on healthcare in India was around 1.4 per cent of GDP in 2017-18 (Economic Survey 2017-18).

However, the announcement of National Health Protection Scheme is a commendable initiative. The scheme is proposed to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries), providing coverage up to ₹5 lakh per family per year for secondary and tertiary care hospitalisation. This will also enable the underprivileged to have access to quality healthcare system.

Takeaways

- National Health Protection Scheme
- 24 new government medical colleges
- ₹1,200 crore for health centres

So far, the low insurance cover led to very high out-of-pocket expenditure on health, depriving a large number of households. However, funding this scheme can be challenging for the government. It will have to shell out huge subsidy as premium to make it viable for insurance companies. The insurance players and hospitals stand to gain from the schemes.

Setting up of 24 new government medical colleges and hospitals by upgrading existing district hospitals is a welcome move, given the severe shortage of doctors and healthcare infrastructure.

Allocation of ₹1,200 crore for providing comprehensive healthcare to the people through 1.5 lakh health and wellness centres is expected to bring healthcare system closer to the homes of the people. These centres will provide comprehensive healthcare for non-communicable diseases and maternal and child health services as well. These centres will give free essential drugs and diagnostic services.

The verdict

India needs more investment for strengthening the healthcare system. Though there are bold initiatives in the Budget announcement, funding and execution seems to be the challenging task.

TWEETOSPHERE

At last a beginning of Universal Healthcare to enable inclusive development. Without health protection the poor will remain poor.

Kiran Mazumdar Shaw
@kiranshaw

Modicare: A more potent package

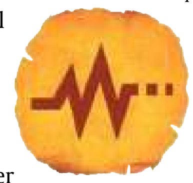
Will this new version of the 2016 social security scheme prove more effective?

PT JYOTHI DATTA
Mumbai, February 1

The ambitious plan to roll out health coverage for 10 crore families will make it the world's largest government funded healthcare programme, Finance Minister Arun Jaitley, said today.

High on optics as it puts health on the centre-stage, this announcement has already been labelled "Modicare" (*a la* Obamacare) on social media, with an eye clearly on election 2019.

Unfortunately though, this proposal has a precedent — a social security proposal announced in Budget 2016 did not take off for want of a roll-out plan and supporting fund allocation.



Jaitley's flagship National Health Protection Scheme (Budget 2018) speaks of providing healthcare coverage to about 50 crore beneficiaries, providing them coverage of up to ₹5 lakh per family per year for secondary and tertiary care hospitalisation.

"Adequate funds will be provided for smooth implementation of this programme," he had said.

But this is merely an expanded, repackaged version of the social security scheme of 2016, and even a rough calculation shows that it doesn't add up, says Indranil Mukhopadhyay, a health economist and Assistant Professor, OP Jindal University.

"If we look at similar models and at half the market rates, the allocation the Government would need to pay for just the premiums is about ₹1.2 lakh crore and the country's total spending on health is about ₹1.3 lakh crore," he said.

There is no clarity on how this will be rolled out and who will foot the bill, a plan that mirrors the confusion of the 2016 proposal.

Even if it were to be rolled out through the RSBY (Rashtriya Swasthya Bima Yojna), the allocation for the scheme this year is ₹2,000 crore, he added.

And while Jaitley says the national healthcare protection scheme is a step towards Universal Health Coverage, Mukhopadhyay points out that past announcements on the UHC roll out barely saw any follow-up action.

Gaps not addressed

While health is getting a mention in the Budget in terms of the 3,000 Jan Aushadi centres that sell less expensive medicines or the Government's initiatives to bring down the price of cardiac stents, there is little in it to address several other gaps affecting public health.

Shailaja Chandra, former secretary at the Health Ministry, is happy about the importance that healthcare is getting in the Budget in terms of an expanded health insurance or financial support of ₹500 per month toward the nutrition of a person undergoing treatment for tuberculosis.

However, she adds, many of the initiatives don't seem to be thought through.

For instance, the gaps in public health delivery in terms of staffing or the regulatory coverage of the healthcare prevention scheme.

There needs to be greater focus on a preventive set-up or a strengthening of the existing framework to tackle communicable diseases and prevent more tragedies like the one at Gorakhpur from happening, she says, referring to the death of several infants at a Government hospital in Uttar Pradesh.

Insurance companies could end up reaping the benefits of the health coverage scheme, she says, calling for a regulatory mechanism to make sure they pay patient bills without delay.

With the Budget being high on making promises, the critical element now is how the Centre rolls out these initiatives, some of which have already stumbled in the past over inadequate funds.

Our Chennai Bureau reports: The move towards the universal healthcare, comprehensive healthcare centres and new medical colleges will help bridge the rural-urban divide, say healthcare players.

Prathap C Reddy, Chairman, Apollo Hospitals, said in a statement that the initiative to cover 10 crore families with ₹5 lakh per family/per year with insurance cover for secondary and tertiary healthcare, will be a game changer.

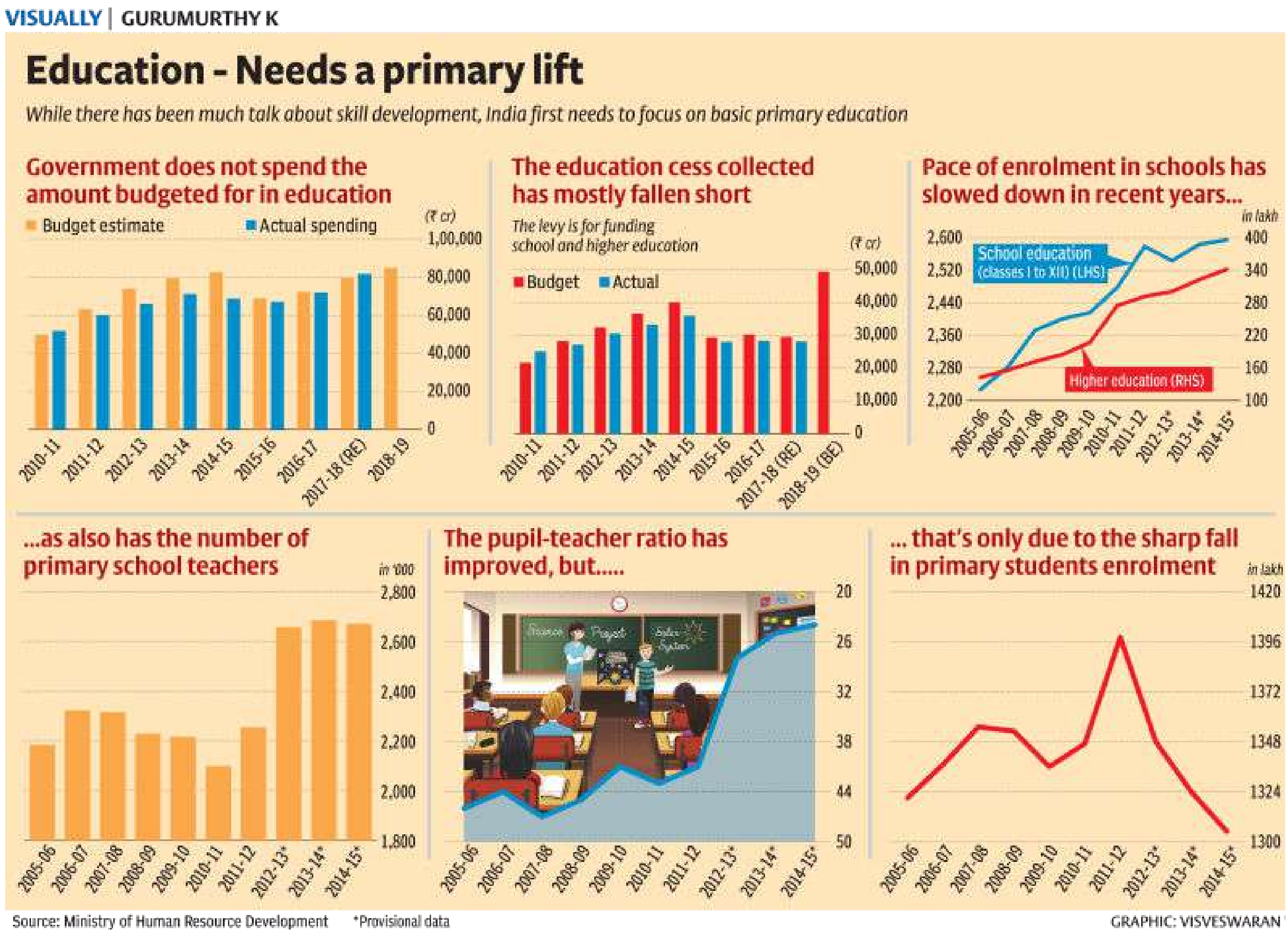
Suneeta Reddy, Managing Director, Apollo Hospitals, said the initiative that amounts to $800 billion is even higher than the US' Medicaid programme at $550 billion.

R Sabesan, Chief Financial Officer, Dr Agarwals Group of Eye Hospitals, said that the tax relief on entities with turnover of up to ₹250 crore will also have a positive impact on the sector.

"It will allow mid-sized healthcare players to invest and thereby improve the quality of healthcare in the country," he added.

Healthcare takes centrestage The move towards universal healthcare will help bridge the rural-urban divide

VISUALLY | GURUMURTHY K



Source: Ministry of Human Resource Development *Provisional data GRAPHIC: VISVESWARAN

BUDGET 2016-17

ANNOUNCEMENTS & ACHIEVEMENTS

The euphoria was somewhat dampened with global growth slowing again, falling stock prices and contracting world trade. Happily for the government, India's growth remained strong and the inflation fairly benign despite below par monsoon. Low oil prices continued to provide comfort

Outcome of key announcements

A massive mission to provide LPG connection to women of poor households to be launched

Action: Pradhan Mantri Ujjwala Yojana was launched in May 2016 to provide 5 crore LPG connections to BPL families over the next 3 years. 3.34 crore connections released so far

Unserved and underserved airports to be revived to provide regional connectivity

Action: Udan (Ude Desh ka Aam Naagrik) for regional connectivity was announced in June 2016. Two rounds of bidding for connecting some of these airports have concluded and flights to some destinations have started

Direct benefit transfer for fertilisers to be launched as a pilot

Action: Direct benefit transfer (DBT) for fertiliser subsidies was launched in October 2017 in seven small states and union territories including Delhi

A comprehensive Code on Resolution of Financial Firms to be brought to deal with bankruptcy in financial firms

Action: The Financial Resolution and Deposit Insurance Bill, 2017 introduced in Lok Sabha in August 2017 is with a Joint Parliamentary Committee of both Houses for review of controversial bail-in clause

A comprehensive legislation to be brought to prevent illicit deposit taking schemes

Action: The Banning of Unregulated Deposit Schemes and Protection of Interest of Depositors Interest Bill, that was slated to be introduced in the Winter session, was not

A shot-in-the-arm for insurance players

But sustainable benefits will flow in only when ground level issues are ironed out

RADHIKA MERWIN

The Centre's flagship National Health Protection Scheme to cover over 10 crore poor families providing coverage up to ₹5 lakh, will benefit public insurers and certain private insurance players active in mass health programmes.

The Budget also proposes to merge three public sector general insurance companies — National Insurance Company, United India Assurance Company Limited and Oriental India Insurance Company — which will be listed subsequently. This will bring down costs, improve scale and usher in greater competition in the space.

While clarity on the contours of the National Health Protection Scheme is awaited, industry players feel that it will be on the lines of the existing Rashtriya Swasthya Bima Yojana (RSBY).

Contours of health scheme

Under this, a beneficiary pays a premium of ₹30 for a ₹30,000 cover. The balance (about ₹370) is borne by the Centre and the State together. Insurance players will participate in the tender process for each state and the lowest bid is awarded the contract.

If the Centre's new scheme is on similar lines, then a beneficiary may have to pay ₹500 for a ₹5 lakh cover.

The premium may work out cheaper as the probability of lower income households using up the full cover may be less. However, for players active in this space, this opens up big opportunity as the scheme gathers scale.

What for players

For public insurance players such as New India Assurance, United India, National and Oriental National and select

private insurance players such as Reliance General, the Centre's new health scheme offers immense opportunity. For Reliance General mass health forms about 44 per cent of total health GDPI (Gross Direct Premium Income).

That said, vagaries in the mass health business and unattractive pricing has seen other private players, turn cautious to this segment. Hence not all players may find it viable to bid for the Centre's mega health protection scheme. For instance, in FY17 Reliance General was not appointed to provide policies under RSBY for the state of Kerala which impacted growth; overall health GDPI fell by a sharp 36 per cent in FY17.

Also sustainable benefits will flow in only when some of the existing issues are ironed out.

First, there must be smooth flow of subsidy without undue delay, both from the Centre and the State.

Next, claims settlement can be smoother only if more number of hospitals are empanelled which, given the segment these mass health programmes cater to, will be long-drawn. Of the ₹1,000 crore budgeted allocation to RSBY in FY-18, only ₹470 crore was used, according to revised estimates, clearly implying that scaling up such schemes will take time.

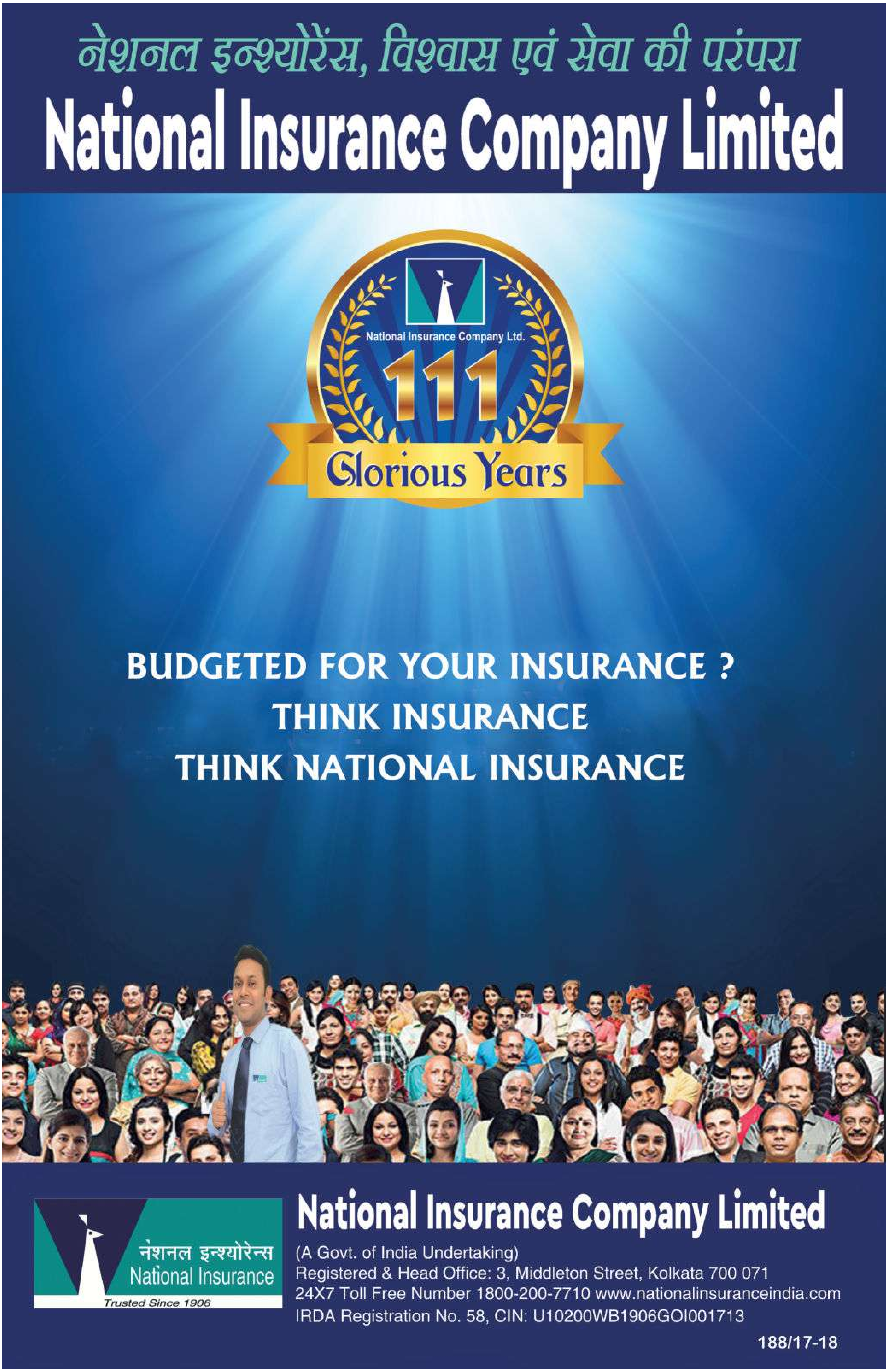
For FY-19, the Centre has allocated ₹2,000 crore for RSBY.

Sound move

New India Assurance was listed last year. But steep valuations and weak operating metrics have seen the stock trade way below its listing price of ₹800 (now at ₹667).

The Budget proposing to merge the remaining three public insurers is a sound move, as it will help them increase scale and cut costs.

In comparison to private players, public insurers have weak financials. Each of the three public insurers proposed to be merged have a steep combined ratio of 134-148 per cent (FY17). Combined ratio measures the incurred losses and expenses in relation to the total premiums. For top private general insurance players, such as ICICI Lombard, Bajaj Allianz and HDFC Ergo combined ratio is a much lower 97-104 per cent.


नेशनल इन्श्योरेंस, विश्वास एवं सेवा की परंपरा
National Insurance Company Limited
National Insurance Company Ltd.
111
Glorious Years
BUDGETED FOR YOUR INSURANCE ?
THINK INSURANCE
THINK NATIONAL INSURANCE
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24X7 Toll Free Number 1800-200-7710 www.nationalinsuranceindia.com
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188/17-18

FOR INDIA INC, IT'S YELLOW AND GREEN

Telecom

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
-12.8	-492.9

Total market cap (₹ cr) 3,31,237

Budget proposals

Allocation increased to BharatNet for providing internet connectivity to 2.5 lakh gram panchayats and for creation and augmentation of telecom infrastructure including setting up five lakh Wi-Fi hotspots. Custom duty increased for mobile phones.

Top 3 companies by mkt cap

- Bharti Airtel
- Bharti Infratel
- Idea Cellular

Banks

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
16.6*	-2.4

*Net interest income

Total market cap (₹ cr) 16,53,697

Budget proposals

Clarity on MAT provisions on debt waiver for companies under IBC. Increase in agriculture lending target. Setting off carry forward losses available for IBC accounts. Exemption of interest income on deposits increased from ₹10,000 to ₹50,000 for senior citizens

Top 3 companies by mkt cap

- HDFC Bank
- State Bank of India
- ICICI Bank

Automotive

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
12.5	-3.1

Total market cap (₹ cr) 10,69,775

Budget proposals

Boost to Make in India due to increase in basic customs duty for imported auto components from 7.5/10 per cent to 15 per cent. Imported radial tyres for trucks and buses get costly too with a 5 per cent hike in customs duty to 15 per cent.

Top 3 companies by mkt cap

- Maruti Suzuki
- Tata Motors
- M & M

Capital Goods

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
11.1	-39.3

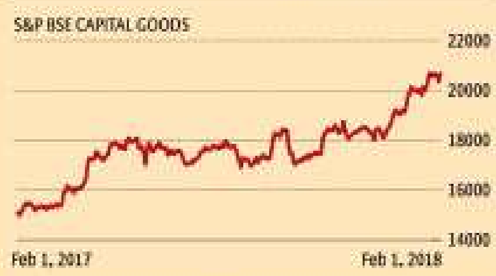
Total market cap (₹ cr) 5,23,838

Budget proposals

Pat for Make in India from introduction/hike in customs duties for circuit board assemblies of mobile phone chargers/adapters, preform of silica used in optic fibre cables and specified parts of LCD/LED panels. Customs duty removed for solar tempered glass, ball screws, CNC systems

Top 3 companies by mkt cap

- Larsen & Toubro
- Siemens
- Bharat Electron



FMCG

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
3.3	-18.5

Total market cap (₹ cr) 11,56,383

Budget proposals

Measures to improve farm income will give a leg-up to rural consumption. But urban consumers haven't been handed much as tax rates/slabs remain unchanged. Dole to seniors could encourage spending in select categories.

Top 3 companies by mkt cap

- ITC
- Hindustan Unilever
- Godrej Consumer

PORTFOLIO MOVES

Seek shelter under large caps

EQUITY

LOKESHWARRI S K

The Budget has introduced Long Term Capital Gains Tax, putting the Indian market on par with other global markets. While stock prices recovered after an initial fall in the Budget session, it does not mean that investors can rest easy now. Stock prices have been soaring higher even as earning growth has been tepid, making valuation rich. The large-cap Nifty 50 index is currently trading at trailing 12-months Price Earning multiple of 23.8 times. This valuation is more than the December 2007 PE multiple, at 22.5. But revenue and profit growth in the large cap segment is still in double digits, making this space comparatively safer. The valuations in the Nifty Midcap 100 index and Nifty Smallcap 100 index are however much steeper at PE multiples of 46.6 and 115 respectively. While large-cap stocks are managing to show growth, revenue and profitability of many mid and small cap stocks have been hit by the ongoing slowdown and GST rollout.

Market drivers

Given India's demographic profile, consumption, both urban and rural, stays an important driver for stocks. This budget's move to improve rural income and put more money in the hands of the pensioners and some segments of the salaried class will boost segments such as auto, consumer durables, housing, FMCG and entertainment. Infrastructure spends will help cement and steel manufacturers besides construction and capital goods companies. The cut in corporate tax for companies with turnover up to ₹250 crore will help small and medium enterprises. But the principal risk to equity prices remains from the fact that prices have rallied ahead of earning recovery. Lack of private capex, low utilisation in manufacturing units, stressed state of banks' balance sheets, logjam in sectors such as power and real estate, structural issues in IT and regulatory run-ins in pharma are a few problems dogging the key sectors. Given these, a euphoric state in the stock market appears quite misplaced.

While the long-term story of India is good, there could be trouble in the short-term. Buy selective large-cap stocks and pare exposure to mid and small-cap stocks with shaky fundamentals. You can get your shopping list ready for buying bluechips, when a correction sets in.

Consumer Durables

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
-2.2	35.8

Total market cap (₹ cr) 1,89,778

Budget proposals

Thrust on boosting alternative sources of income for farmers. Government's allocation to rural development schemes has gone up. But, no push to urban consumption

Top 3 companies by mkt cap

- Titan Company
- Rajesh Exports
- PC Jeweller

Healthcare

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
-2.6	-16.8

Total market cap (₹ cr) 7,50,392

Budget proposals

National Health Protection Scheme covering over 10 crore poor families and providing coverage up to ₹5 lakh per family per year. ₹1,200 crore for providing health-care through Wellness Centres. Setting up of 24 new Government Medical Colleges.

Top 3 companies by mkt cap

- Sun Pharma Industries
- Piramal Enterprises
- Cipla

Temper expectations, but keep those SIPs alive

MUTUAL FUNDS

RADHIKA MERWIN

The Budget, as expected has given a big push to rural India. While corporate earnings are likely to recover this year, with the government upping its expenditure, much of it appears to have been factored in by the markets. In fact, the exuberance in the stock market could fizzle out if earnings fail to catch up with expectations. Hence investors, revelling in robust returns of the past year need to rein in their expectations. It is unlikely that your diversified equity mutual fund will deliver a stellar 30-40 per cent return yet again this year.

But if you are looking to build wealth for the long term, then near-term hitches should not stop you from continuing to invest in mutual funds.

Diversified equity funds are still a great way to earn inflation-beating returns over the long run. To tide over volatility, take the SIP (Systematic Investment Plan) route. Also go for the growth option, as the Budget has brought in 10 per cent tax on dividends from equity-oriented mutual funds.

However, what is important is to pick the right funds that have a long track record of consistent performance across market cycles.

Large-cap funds that invest about 80 per cent in bluechip stocks can help tide over market volatility while delivering inflation beating returns. Aditya Birla Sun Life Frontline Equity, Aditya Birla Sun Life Top 100, ICICI Pru Focused Bluechip Equity Fund, Reliance Top 200 and Kotak Select Focus are some of the top performing large-cap funds.

If you are looking to invest in debt funds, then avoid investing in longer term gilt funds that carry interest rate risks. With rates likely to rise in 2018, go for short-term income funds and banking and PSU debt funds that carry lower interest rate risk as well as credit risk. Aditya Birla Sun Life Savings Fund, HDFC Regular Savings, ICICI Pru Short Term, and UTI Short Term Income, Axis Banking & PSU Debt, ICICI Pru Banking & PSU Debt and UTI Banking and PSU Debt are some of the top performers.

IT

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
3.3	5.1

Total market cap (₹ cr) 13,43,859

Budget proposals

An allocation of ₹3,073 crore for boosting the digital economy, apart from strengthening research on Artificial Intelligence and Internet of Things (IoT) is set to benefit FinTech companies as well as some start-ups in the space.

Top 3 companies by mkt cap

- TCS
- Infosys
- HCL Technologies

Metals

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
27.9	42.7

Total market cap (₹ cr) 7,62,951

Budget proposals

Increase in allocation for aviation, expansion and capacity creation plans under railways and focus on infrastructure development such as affordable housing and allocation towards village electrification scheme will boost the demand in the sector

Top 3 companies by mkt cap

- Coal India
- Hindustan Zinc
- Vedanta

Oil

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
16.4	-5.9

Total market cap (₹ cr) 14,01,956

Budget proposals

Exemption on sale of leftover crude oil stock shall also apply on termination of contract or arrangement in respect of a foreign company participating in a strategic oil reserve. Tax neutral moves in cesses and excise duty rates on petrol and diesel.

Top 3 companies by mkt cap

- Reliance Industries
- ONGC
- IOCL

Power

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
6.4	-5.5

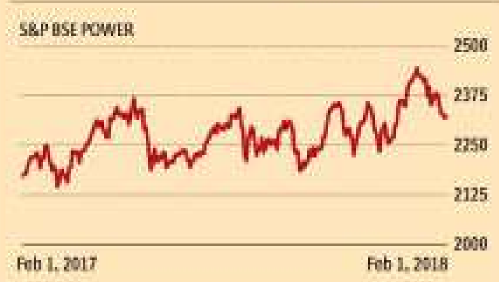
Total market cap (₹ cr) 5,22,625

Budget proposals

Increase in allocation of funds towards Saubhagya scheme

Top 3 companies by mkt cap

- NTPC
- Power Grid Corporation
- Siemens



Realty

Impact

1HFY18 over 1HFY17 (% YoY)

Sales	Profit
1.9	-8.5

Total market cap (₹ cr) 1,25,592

Budget proposals

Boost to affordable housing. But no tax relief measures for home buyers, no funding related relief to developers and GST relief. Long Term Capital Gains tax on REITs, which is already struggling to take-off is a dampener

Top 3 companies by mkt cap

- DLF
- Oberoi Realty
- Godrej Properties

BAJAJ FINSERV

Performance Highlights Q3 FY18

Consolidated total revenue ↑ 21% | Consolidated profit after tax ↑ 22%

BAJAJ FINSERV LIMITED

Consolidated Results (₹ In Crore)

Particulars	Q3 FY18	Q3 FY17	% Change	9M FY18	9M FY17	FY17
Total revenue	7,666	6,317	21%	21,770	17,468	24,508
Profit before tax	1,764	1,378	28%	4,695	3,754	4,925
Profit after tax	749	614	22%	2,056	1,727	2,262

BAJAJ FINANCE LIMITED

Standalone Results (₹ In Crore)

Particulars	Q3 FY18	Q3 FY17	% Change	9M FY18	9M FY17	FY17
Total revenue	3,543	2,700	31%	9,772	7,319	9,989
Profit after tax	767	556	38%	1,926	1,387	1,837
Return on average equity (annualised)	19.9%	25.5%		20.2%	22.3%	21.6%
Assets under management	76,384	57,605	33%	76,384	57,605	60,194

BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED

Standalone Results (₹ In Crore)

Particulars	Q3 FY18	Q3 FY17	% Change	9M FY18	9M FY17	FY17
Gross written premium	1,892	1,722	10%	6,722	5,428	7,687
Profit after tax	262	197	33%	735	563	728
Return on average equity (annualised)	25.2%	24.2%		25.0%	24.5%	23.0%
Assets under management	13,258	10,473	27%	13,258	10,473	10,829

BAJAJ ALLIANZ LIFE INSURANCE COMPANY LIMITED

Standalone Results (₹ In Crore)

Particulars	Q3 FY18	Q3 FY17	% Change	9M FY18	9M FY17	FY17
Gross written premium	1,739	1,485	17%	4,908	3,935	6,183
New business premium	944	785	20%	2,897	2,177	3,338
Shareholders' profit after tax	163	192	-15%	545	638	836
Assets under management	52,401	46,806	12%	52,401	46,806	49,270

Bajaj Finserv Limited | CIN : L65923PN2007PLC130075 | Website : www.bajajfinserv.in
Bajaj Finance Limited | CIN : L65910MH1987PLC042961 | Website : www.bajajfinserv.in/finance
Registered Office: Akurdi, Pune 411 035 | Corporate Office: Off Pune-Ahmednagar Road, Viman Nagar, Pune 411 014

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வாரி பெருக்கி வளம்படுத்து உற்றவை
ஆராய்வான் செய்க வினை

Rely on him whose mind on raising revenue dwells
And under whose sharp eye odds abate and
prosperity swells

FROM OUR RESEARCH BUREAU

Parvatha Vardini C

Growing appetite

The change

Measures such as rationalising of Minimum Support Price (MSP) for crops, higher farm credit and allocations to improve rural livelihood are expected to trigger consumption demand in rural areas.

New employees under the Employees Provident Fund (EPF) scheme in all sectors will take home more as the government will contribute 12 per cent of their wages to the scheme for the first three years. Pensioners will be left with higher disposable incomes..

However, the salaried class has been left disappointed.

The introduction of long-term capital gains tax (LTCG) on equities and the hike in customs duties for a host of consumption items such as fruit juices, imitation jewellery, footwear, watches and clocks, furniture and toys could make these expensive, are a dampener

The background

As per the Economic Survey released a few days ago, in the six years between 2011-12 and 2016-17, the share of Private Final Consumption Expenditure (PFCE) averaged 57.5 per cent in total GDP.

But there have been headwinds. As per the first advance estimates of 2017-18, the contribution of PFCE to GDP is estimated to be lower at 54.3 per cent, much lower than the average citied above.

Takeaways
- Rural consumption could see an uptick
- Disappointment for salaried class
- Select companies to benefit

In fiscal year 2017-18, consumption met with stumbling blocks despite tailwinds from benign borrowing rates. The GST transition and consequent de-stocking also affected demand in sectors such as FMCG, auto and consumer durables. Also, uneven monsoons and the crash in prices of agricultural products hurt rural India.

Growth in private expenditure took a hit in the first two quarters of 2017-18, over the same periods last year. PFCE growth stood at 6.8 per cent in the quarter ended June 2017 and 6.5 per cent in September 2017. Last fiscal, it had grown by 8.7 per cent.

The verdict

The results of the September and December 2017 quarters show that there is some recovery in demand after the GST slump. Better urban consumption has helped companies such as Maruti Suzuki. Premium products of FMCG companies such as Hindustan Unilever, Dabur and Marico, as well as FMCG majors with an urban tilt, such as Godrej Consumer, have also shown good volume growth. Higher disposable income in some sections of the urban population could keep this trend going.

Thanks to the budget's moves for rural India, FMCG companies, such as Hindustan Unilever, Dabur, Colgate, Jyothy Labs and Bajaj Corp, which have a higher rural tilt in their revenues, will benefit. Ditto with two-wheeler manufacturer Hero MotoCorp and tractor manufacturers such as Mahindra and Mahindra and Escorts.

A push to custom-make in India

The hike in import duty on a range of imported products will encourage companies to produce goods here

MEENAKSHI VERMA AMBWANI
S RONENDRA SINGH

New Delhi, February 1

Consumers looking to splurge on imported products across a wide range of segments could be saddled with a higher price tag. In a bid to encourage Make In India, the Finance Minister announced a hike in the customs duty on a range of products, such as footwear, personal care products, LED and OLED TV panels and components, apart from accessories such as watches and sunglasses.

Customs duty has also been hiked on food products such as fruit and vegetable juices and certain food preparations. Consumers may have to pay more for mobile phones as well.

"Customs duty hike on a range of products is intended to provide a boost to local manufacturing and promote the 'Make in India' agenda of the government," said Dhanraj Bhagat, Partner, Grant Thornton India. "This has been done in areas where manufacturing can be easily done in India and will also prevent the flood of imported goods especially in the electronics segment."

In the consumer durables segment, the government has hiked customs duty on LCD, LED and OLED TV panels and certain components used to make these TVs to 15 per cent from the existing range of 7.5-10 per cent. In addition, certain specified parts used for manufacturing LCD, LED and OLED TVs panels will also now attract a customs duty of 10 per cent.

"Overall, this could increase the production cost by 2 per cent, on an average, on LED TVs and LCD TVs for companies that import components and panels," said Consumer durables industry expert CM Singh. "For larger-size LED TVs and premium products such as OLED TVs, costs could increase by as much as 5 per cent. However, it remains to be seen whether companies will pass this increase in costs to consumers."

Manish Sharma, President & CEO, Panasonic India and South Asia, said the company is reviewing the impact on pricing due to the customs duty hike. "However, in the mid to long term, the ACE (appliances and consumer electronics) industry will certainly benefit from this initiative, as it will help boost local manufacturing."

Personal care dearer

The government has also increased customs duty on imported personal care and toiletries such as perfumes, beauty or make-up preparations, including sunscreen, shaving and after-shave products, deodorisers, personal deodorants and toilet water to 20 per cent. Accessories such as imported watches and sunglasses will also now attract 20 per cent custom duty.

"The increase in customs duty for perfumes, toiletries, sunglasses and footwear by almost 10 per cent will have a significant impact on prices, directly driving inflation and will impact consumption," said Govind Shrikhande, Managing Director and Customer Care Associate, Shoppers Stop Ltd.

Similarly, customs duty on imported footwear has been hiked to 20 per cent from the existing 10 per cent, while parts used to make footwear have been hiked to 15 per cent from the existing 10 per cent. Analysts believe this could make some of the international footwear brands who do no or little manufacturing in India look at ramping up local production.

"Since we are known for our outdoor shoe range, our production is a lot more dependent on imported raw materials of global standards," said Harkirat Singh, Managing Director of Aero Club, which owns brand Woodland. "The 5 per cent increase in duties on footwear components will certainly impact our production cost. But we are still evaluating on whether we will hike prices or absorb the costs." The company will also see a marginal increase in cost of production for its limited-edition product line of specialised technical footwear, which it imports.

Shriti Malhotra, Chief Operating Officer, The Body Shop India, added: "A hike in customs duty will definitely impact the sector negatively, however the exact implications will have to be evaluated."

Beverages costlier

Meanwhile, the government has also hiked customs duty on orange fruit juice to 35 per cent and other fruit juices and vegetable juices, including cranberry juice, to 50 per cent. The leading international packaged juice companies in the country have been ramping up local sourcing of fruits and largely produce fruit juices locally. However, some niche players import juices and concentrates of certain flavours such as cranberry.

A senior executive with a food company, who did not wish to be identified said: "Most of the companies make and package juices locally. However, for certain flavours, such as cranberry, the juices and concentrates are imported. One will need to evaluate the impact for such companies."

In the mobile phones segment also, consumers may have to pay more on their handsets, especially the high-end smartphones imported by Apple, Samsung, HTC and Xiaomi.

However, the proposed move has been welcomed by Indian smartphone manufacturers, including Intex and Micromax.

"Such moves encourage Intex, which has been working on enhancing domestic capacities and has recently begun its own Open Cell Manufacturing or LED Panel manufacturing to improve quality control," said Rajeev Jain, Chief Financial Officer, Intex Technologies.

"The increase in customs duty on mobiles will encourage local manufacturing. As India is becoming the global hub for manufacturing, the measures taken by the government will surely instil confidence among the manufacturers," said Rajesh Aggarwal, co-Founder, Micromax.

Up Customs duty on LCD, LED and OLED TV panels and certain components has been hiked to 15 per cent from 7.5-10 per cent

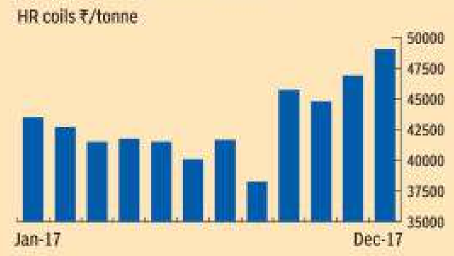
VISUALLY | SATYA SONTANAM

Steeled by the Government

Support from the government in the form of Minimum Import Price and safe guard duties on imports have aided steel makers. Going ahead, successful implementation of the National Steel Policy 2017, will give further impetus

Policy measures help steel prices

Price spike is also due to increase in raw material costs and higher domestic and Chinese demand



Government consumption drives steel demand

Sectorwise steel consumption as per the National Steel Policy 2017

Sector (in million tonnes)	Demand in 2015-16	Projected demand in 2030-31
Construction & Infrastructure including steel, oil, highway, bridge, airport, port projects	50.5	138
Engineering & fabrication including consumer durables, capital and electrical goods	18	50
Automotive	8.2	28
Other transport including rail lines, wagons/coaches, ship building	2.4	8
Packaging & others including petroleum, non-petroleum, LPG gas cylinders	2.4	6

Source: Union Budget, IBEF, ICRA *FY18 is upto November 2017

GRAPHIC: KS GUNASEKAR

TWEETOSPHERE

Support to MSME sector by lowering of corporate tax rate to 25%, increase in access to finance, and addressing NPAs will alleviate the stress in the sector

Shobana Kamineni
President, CII
@CIIPresident

Good in parts, say industry leaders

Focus on health welcomed, but infrastructure players unhappy

OUR BUREAUS

New Delhi/Coimbatore, February 1

Industry called Budget 2018-19 "progressive" as it focussed on the much-needed areas of agriculture, job creation, infrastructure and health.

Shobana Kamineni, CII President, said the comprehensive approach to health was "extremely welcome". She, however, pointed out that corporate tax rates had not changed, though some deductions were "welcome". "What we would like to see is how much of this is going to translate into jobs on the ground". Dr Naresh Trehan, Chairman, CII Healthcare Council, also gave "full marks" to the focus on health.

Abhishek Goenka, Partner, Tax and Regulatory Services, PwC, felt that instead of resorting to populist measures, some recognition had been given to rural distress. "However, I am disappointed on the issue of corporate tax rates. They have lowered taxes from 30 per cent to 25 per cent for companies with a turnover of up to ₹250 crore, but that's patchwork. It should have been done across the board".

Meanwhile, those in the infrastructure sector were visibly disappointed. A corporate leader who did not want to be named said: "I did not see a major push in housing for all. The only redeeming feature was that the FM announced the renewal of 36,000 km of railway lines."

Minimum Alternate Tax: A levy with many twists and turns

It was first introduced in 1987 to target large corporates who paid little or nothing in tax

SURESH P IYENGAR

Mumbai, February 1

The Minimum Alternate Tax (MAT) is one of the oldest and most controversial levies, and it has gone through many twists and turns after being challenged in legal forums.

It was first introduced in 1987 by then Prime Minister Rajiv Gandhi, who was also in charge of the Finance portfolio, to target large corporates that made huge profits and paid dividends to shareholders, but paid very little amounts or, in some cases, no taxes.

Many companies escaped the tax net as the then government allowed several deductions and exemptions, which could be utilised to significantly lower or escape tax liability completely. Rajiv Gandhi, in his Budget, ensured that all domestic companies pay a tax of at least 15 per cent on their profit. A decade later, P Chidambaram, in Budget 1996, came up with the 'Minimum Alternate Tax' — keeping out just the power and infrastructure sectors.

This was refined further in his 'dream budget' the next year to exempt export profits, besides introducing a new carry-forward system.

AN IDEA THAT WORKED

Widening tax base

Vijay K Dhingra, Partner, Deloitte Haskins & Sells LLP, said that though MAT led to widespread litigation in the past, it has definitely helped the government to widen the tax base.

The substantial collection under MAT has made the government to carry forward the MAT-paid credit to 15 years from 10 years in the Budget last year. In 2015, the government made foreign institutional investors, who buy billions worth of stock and debt instruments of Indian companies, exempt from MAT on capital gains.

But a row broke out after India's taxmen issued a spate of notices to some of these investors, telling them to pay MAT on past investments

Currently, the highest MAT rate is 21.34 per cent for domestic companies that have booked profit in excess of ₹10 crore.

The normal corporate tax on corporates has been at 30 per cent. Unlike corporate tax, MAT rate has progressively increased from 7.5 per cent in 2000 to 18.5 per cent in 2015.

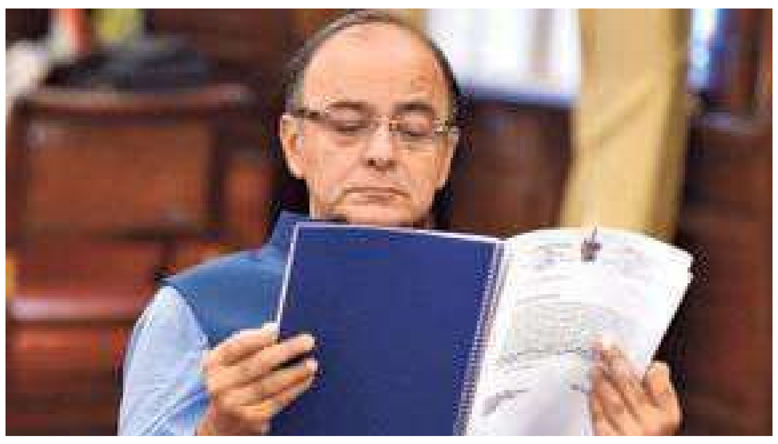
In his first Budget in 2015, Finance Minister Arun Jaitley had said the Centre would take the path of tax reforms, keeping in sync with global tax trends, and move away from an exemption-based tax regime.

He gave an assurance on the floor of Parliament that the basic rate of corporate tax would be cut to 25 per cent from 30 per cent over a four-year period.

Other countries have either reduced or are proposing to cut their corporate tax rate.

The recent tax reforms in the US have led to a significant decline in the corporate tax rate from 35 per cent to 21 per cent.

The UK proposes to reduce it from 19 per cent to 17 per cent by 2020.



Reading the fine print In this file photo from 2015, Finance Minister Arun Jaitley goes through the report on FIIs submitted by Justice (Retired) AP Shah, Chairman of the Minimum Alternate Tax Committee, at North Block in New Delhi PTI

Factoids
- Who did it — P Chidambaram
- When — 1996
- Why — Many companies escaped the tax net as the then government allowed several deductions and exemptions
- Impact — The MAT rate has progressively increased from 7.5 per cent in 2000 to 18.5 per cent in 2015

POCKET

"If it is really a smart phone, why am I feeling foolish after buying it?"

FROM OUR RESEARCH BUREAU

Rajalakshmi Nirmal

Less taxing for SMEs

The change

Corporates whose turnover is ₹250 crore or less in 2016-17 can now enjoy a lower tax rate of 25 per cent versus 30 per cent earlier. The effective tax rate for this bunch of companies (assuming income of less than ₹10 crore) comes to 27.82 per cent now compared to 33.06 per cent earlier. Had the education cess not been hiked to 4 per cent from 3 per cent currently, the effective tax rate would have been an even lower 27.55 per cent. Of the listed universe of 4,600 stocks, 3,360-plus stocks (73 per cent) have a turnover of ₹250 crore or less.

The Finance Minister, however, dashed the hopes of corporates on removal of dividend distribution tax (DDT). Thus, all big dividend payers of the listed universe, including Coal India, TCS, Indian Oil Corporation, ONGC and Infosys, will have to continue to cough up DDT from their pockets at the rate of 15 per cent (the effective tax rate is 20.55 per cent, including surcharge and tax). Small infrastructure, cement and other companies expecting a relief on MAT (minimum alternate tax) from 18.5 per cent to 15 per cent were also disappointed.

The background

It all started in 2015-16, with the Finance Minister announcing that corporate tax would be cut from 30 per cent to 25 per cent over a period of four years, with deductions and exemptions getting phased out simultaneously. But, the corporate sector couldn't heave a sigh of relief, as in the same year, the Minister also silently increased the surcharge on corporate tax, for companies with an income of up to ₹10 crore — from 5 per cent to 7 per cent and for an income above ₹10 crore — from 10 per cent to 12 per cent. The effective tax rate in 2015-16 thus turned out be sharply higher — 28.24 per cent versus 24.67 per cent in the previous year.

Takeaways

- Tax cut to 25% for companies with turnover up to ₹250 crore
- No relief on MAT
- No cut in dividend distribution tax

In 2016-17, the Finance Minister cut the tax rate for companies making a profit of not more than ₹5 crore to 29 per cent. Also, all new manufacturing companies incorporated after March 1, 2016 were given an option to be taxed at 25 per cent provided they did not claim any exemptions.

The Minister also said that with effect from April 1, 2017, the investment-linked deduction available on scientific research would be cut. The sunset date for commencement of operations for infrastructure and SEZ developers was set at April 1, 2017. He also stated that units in SEZs commencing production after April 1, 2020, cannot claim any deduction.

In the next year — 2017-18 — the Finance Minister extended the tax relief to a larger section of corporates. Companies with an annual turnover of ₹50 crore or less saw their tax rate being cut to 25 per cent. The effective tax rate in 2016-17 was 26.89 per cent, versus 28.24 per cent in the previous year.

The verdict

It is a move inthe right direction. However, only when the tax cut comes down across the board, will India Inc's competitive edge improve.

TWEETOSPHERE

In a Populous, agrarian country, a Populist, Pre-election budget can be Pro-growth! I'm biased, since it ignites growth in our key rural markets...

Anand Mahindra
@anandmahindra

Will the Budget unleash the animal spirits?

While the Finance Minister has failed to catalyse the capex recovery, he has ensured that the green-shoots are not smothered

N MADHAVAN

Chennai, February 1

Investment, according to former Reserve Bank of India governor C Rangarajan, is an act of faith in the future. It is the lack of this confidence that has seen investment in the economy turn sluggish and remain lacklustre over the last few years. At 26.4 percent the Gross Fixed Capital Formation (GFCF) — a measure of investment in the economy as a percentage of GDP, is at its lowest level in the last 13 years. It goes without saying that a strong GFCF is critical to regain a higher pace of growth.

During the heady days of 2005-11 when the Indian economy clocked average growth of 8.8 percent, average GFCF was 31.57 percent. The decline in GFCF is largely attributed to lower investment by India Inc. At around 22 percent of GDP, private investment today is as much as it was way back in 2004-05.

The 2018 Economic Survey rightly emphasised the importance of private investment by saying "...India must continue improving the climate for rapid economic growth on the strength of the only two truly sustainable engines — private investment and exports."

The expectation in the run up to the Budget was that Finance Minister Arun Jaitley would go a long way to lift business sentiment and offer strong incentives for investment, including a possible across-the-board reduction in corporate tax. This is because the feeling, as encapsulated in the Economic Survey, was that the slowdown in investment was difficult to reverse as it stemmed from balance-sheet stress and the fall was so large that an automatic bounce-back was unlikely. But Jaitley seems to think otherwise and has preferred the green shoots of a recovery that is being felt now to evolve on its own into a broad-based capex revival. On his part, he has not done anything in the Budget to upset that recovery.

Green shoots

GFCF, which had shrunk by 2.1 percent in the last quarter of FY17, has begun to grow. In the first quarter of the current fiscal year it grew by 1.6 percent, followed by 4.7 percent growth in the second quarter. A sharp recovery in demand for certain sectors, such as auto, construction equipment, machine tools, tractors, cement (in select regions) and fertilisers, has seen their capacity utilisation move up, and some of them have started to free up their capacities apart from contemplating expansion.

"For the first time in six years I have started to worry about capacity constraints," Srivats Ram, Managing Director, Wheels India, a TVS group company, told *BusinessLine* recently.

A revival in exports, on the back of a strong global economy, is also helping. After two years of contraction in 2014-15 and 2015-16, exports grew by 7.80 percent in 2016-17 and are expected to grow by 15 percent this fiscal year. That will still be far lower than the 21 percent expansion during the high growth period of the 2005-11 period.

Average capacity utilisation, at 71 per cent, is way below the threshold that triggers a broad-based recovery. Also, some sectors, such as power, telecom and mining, which are typically capital intensive, are still deleveraging.

"Investment takes place all the time. Just that it needs to grow faster to generate a higher pace of growth," says DK Joshi, Chief Economist at Crisil, adding, "full-fledged growth is unlikely under the present circumstances."

The numbers seem to support his argument. Revenue growth of listed corporates in Q2 of FY18 stood at 9.5 per cent. In comparison it was at 32 per cent in Q2 of 2007-08, when the economy grew at over 9 per cent.

It appears that Jaitley found it prudent, politically and otherwise, not to offer major incentives such as an across-the-board cut in corporate tax and instead is allowing some of the government's significant recent measures, such as GST, Bankruptcy Code, relaxation of FDI rules and recapitalisation of banks, to work their magic and boost investor sentiment, private investment and thereby economic growth.

But by doing so, he is ignoring the advice of Chief Economic Adviser Arvind Subramanian, who has characterised the investment slowdown as "deep" and opined that without a clear and urgent agenda, the revival will be slower and shallower.

A sharp recovery in demand for certain sectors, such as like auto, construction equipment, machine tools, tractors, cement (in select regions) and fertilisers

VISUALLY | RAJALAKSHMI NIRMAL

Tax relief for India Inc

While globally corporate taxes have been sliding for several years, it is just starting to happen in India. The FM's move this year to cut tax for companies whose turnover is ₹250 crore or less, will help a large section of corporates

Corporate taxes have come down globally

But, India Inc shells out more (in %)

As of 2017 Source: KPMG

In India companies that make the least profit face the maximum burden

The effective tax rate is lower for large companies because of the tax incentives they enjoy

Effective tax rate in % for 2016-17

₹0-1 crore	₹1-10 crore	₹10-50 crore	₹50-100 crore	₹100-500 crore	Over ₹500 crore
29.4%	29.2%	29%	28.1%	28.9%	23.9%

Tax incentives result in revenue loss to the government

	Projected revenue impact (in ₹ crore) 2017-18
Accelerated depreciation	64,868.81
Deduction of export profits of SEZ units	21,882.02
Deduction of profits of companies in power generation/distribution/transmission business	12,985.58
Deduction for expenditure on scientific research	11,012.39
Deduction of profits of infrastructure facilities	7,715.71
Total revenue loss (net of MAT)	**85,026.11**

Source: Budget document

The effective tax rate continues to be high for many, in India (2017)

Real Estate (General/Diversified)	30.3%
Office Equipment & Services	30.7%
Oil/Gas (Production and Exploration)	30.7%
Auto & Truck	30.7%
Chemical (Basic)	30.8%
Insurance (General)	30.8%
Publishing & Newspapers	31.2%
Brokerage & Investment Banking	31.8%
Healthcare Support Services	31.8%
Machinery	32.7%
Software (Internet)	32.8%
Trucking	33.6%
Beverage (Alcoholic)	33.8%
Hotel/Gaming	33.9%
Restaurant/Dining	33.9%
Tobacco	34.6%
Retail (Building Supply)	35.0%
Homebuilding	35.0%
Electronics (General)	35.3%
Cable TV	35.6%
Retail (Grocery and Food)	35.9%
Coal & Related Energy	37.6%
Steel	43.2%

Data put out by Aswath Damodaran, Professor of Finance, New York University

GRAPHIC: KS GUNASEKAR

Big tax break for small units; more financial help, too

They can plough back their gains or hire more workers

TANYA THOMAS

Mumbai, February 1

Indian businesses, the bulk of which are small- and medium-sized, received a massive tax break from the Finance Minister on Thursday. Arun Jaitley was willing to forego ₹7,000 crore of tax revenue to lower the tax rate for small and medium enterprises to 25 per cent next year from the existing 30 per cent.

"The biggest beneficiaries of this Budget are medium, small and micro enterprises — the units which can create massive employment opportunities," said Chandra Shekhar Ghosh, MD, Bandhan Bank. "Besides ensuring easy access to bank loans, the government is working on measures to address bad loans and the stressed accounts of MSMEs."

This is the latest shot in the arm for small businesses. Last year, Jaitley had given a similar tax cut to micro enterprises, which have an annual turnover under ₹50 crore. Of the 7 lakh companies that filed income tax returns last year, only about 7,000 had reported a turnover of over ₹250 crore, a mere 1 per cent. These will continue to pay tax at the standing corporate tax rate of 30 per cent.

Experts believe that the tax break will help businesses, especially those that are family-run, those in manufacturing and small factory units, to plough their gains back into the business or hire more workers, creating more jobs in the formal sector.

Unproductive tax planning structures (such as depreciation on unproductive assets to save taxes) will now give way to efficient business models resulting in increased output, believes Mahavir Lunawat, Group MD, Pantomath.

In fact, there are a host of schemes in the budget to benefit MSMEs besides the tax break. "This includes ₹3 lakh crore in funds to be made available through the MUDRA scheme," said Sachin Seth, Partner, Financial Advisory Services, EY. "However some of the key initiatives, such as integrating GSTN and TReDS data and creating Aadhaar-like unique ID, will help in achieving exponential growth of online credit to MSMEs through digital platforms. This will cut down manual interventions for credit assessment, cash-flow validation, KYC, disbursals and collections. This will also help financial institutions keep a check on fraudulent activities and use of funds."

Not only can the government train a better eye on MSMEs this way, this also helps companies by integrating financial assistance. A single online loan application platform can now assess overall fund requirements and underwrite risk based on their individual portfolio strategies. "This linkage of GSTN and TReDS data through digital platform adoption will lead to reduced acquisition costs and operating costs and flexibility of loan products, which can further reduce cost of funds to the MSME sector," Seth summarised

For Kolhapur's SME belt, tax saved is investment made

RAHUL WADKE

Kolhapur/Mumbai, February 1

GROUNDZERO

At the Caspro Group's foundry in Kolhapur, a factory worker is looking very intently at a crucible holding molten steel. He deftly manoeuvres the flaming vessel towards moulds, which soon take the shape of machine parts. Some of these parts will be used by automobile makers for their latest cars and trucks, other parts will be used for the braking system of InterCity Express trains in Germany.

The high-speed train, travelling at 300 km per hour, connects all major cities in Germany. These sturdy parts, passing German quality standards, are made at Caspro's Kolhapur foundry.

Positive move

Thursday's budgetary announcement of lowering corporate tax from 30 per cent to 25 per cent for companies with a turnover of up to ₹250 crore is seen by foundries such as Caspro and other MSMEs in Kolhapur as a positive move that will help then plough back the surplus for business expansion.

Kolhapur, a well-known town in Western Maharashtra, is not only famous for its sugar mills, chillies and wrestlers, it is also home to over 425 foundry units, providing direct employment to over 90,000 workers.

The foundry business is spread around Kolhapur city and rural areas at five locations. Casting and machining of components required for railways, automobile and various industrial plants is done in the foundries. The exports from Kolhapur are about ₹350 crore.

Opportunity to grow

Sachin Patil, Chairman of the Kolhapur Foundry and Engineering Cluster, says that all developed countries have stopped producing metal castings due to various economic reasons, so Indian companies have an opportunity to grow. Some of the foundries in Kolhapur are providing castings to Eurorail in Europe, which proves it has world-class skills in foundry technology.

The foundry industry in Kolhapur was traditionally used for supplying parts to oil engine makers. These engines were used for sugarcane processing but over the years foundries have supplied its products to a variety of industries. The total production of the Kolhapur foundry industry is estimated to be 7 lakh tonnes per annum, accounting for about 8 per cent of the country's casting production.

A worker processing metal at the Caspro Group's foundry in Kolhapur RAHUL WADKE

Prakash Rathod, Chairman and Managing Director of the Caspro Group, said that the decision of reducing corporate tax will benefit about 50 to 60 per cent of the foundries in Kolhapur.

The surplus revenue will be used to acquire new technologies and machines for the industry from developed countries, he said.

A matter of concern

Abhijeet Naik, Executive Secretary to the Institute of Indian Foundrymen (Kolhapur Chapter), says that the government's policy of introducing Electric Vehicles (EVs) in the country is a matter of worry for foundries.

Electric vehicles require far fewer moving parts than fuel-based vehicle engines, and Naik felt some preventive measure could have been taken in the Budget to help the industry cope with the disruptive change that will come about with the shift to EVs.

THE HINDU BusinessLine
FRIDAY, FEBRUARY 2, 2018

A budget for Bharat

It seeks to boost rural incomes and domestic industry with a modicum of fiscal relaxation

The Budget, in its rhetoric and tenor, has been unveiled with an eye on the eight Assembly elections and the general elections in 2019. It reaches out to the rural sector, workers, small industries and senior citizens without, however, going overboard with freebies. There are two broad ideas driving it: boosting the rural economy in order to push industrial demand, and spurring investment in manufacturing as well as job creation by offering import duty protection in labour-intensive sectors in particular.

The Budget does a tightrope walk by reconciling fiscal consolidation with the need to keep the economy growing. If the fiscal stimulus looks muted — at 3.3 per cent for the next year, against 3.5 per cent for 2017-18, in money terms a rise in deficit of less than ₹30,000 crore — it is perhaps because the Centre is wary of rising bond market yields imposing future fiscal costs, besides crowding out private sector lending. A nominal growth rate of 11.5 per cent built into the Budget's revenue and deficit estimates seems credible, with perhaps the underlying assumption of a 5 per cent inflation rate in view of rising oil prices. The Centre is banking on excise duty cuts on petroleum products to neutralise oil price inflation. What is left unsaid is the anticipated rise in crude prices; with the petroleum subsidy remaining almost unchanged at ₹24,933 crore for 2018-19 in relation to the revised estimates, it seems there isn't much room for further reduction.

After the Gujarat elections, a budget for Bharat was always on the cards — more so proposals meant to address prices ruling below the minimum support price. By upping the food subsidy outlay by nearly ₹30,000 crore over the revised estimates for this fiscal, to ₹1,69,323 crore, the Centre has shown that it is dead serious about not allowing price slides to recur. The outlay for agriculture and allied activities has increased by nearly 13 per cent to ₹65,836 crore, of which the Pradhan Mantri Fasal Bima Yojana's outlay has been upped to ₹13,000 crore for 2018-19, a 21.5 per cent increase over the revised estimates of ₹10,698 crore. The rest of the money is to beef up marketing infrastructure as key to ensuring better price realisation. To this end, it has sensibly sought to deploy the MGNREGA scheme. However, rural development outlays have actually fallen in real terms over this year's revised estimate, thanks to which MGNREGA outlays are stagnant. This bolsters the belief that the Modi government is biased towards infrastructure creation rather than distress schemes. It seeks to extend crop insurance and bank outreach to share-croppers and labour instead.

The big bang announcement, of course, was the announcement of the world's largest public health protection scheme — the National Health Protection Scheme will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing up to ₹5 lakh cover per family per year for secondary and tertiary care, including hospitalisation. While it marks a welcome shift towards universalisation of welfare schemes, with no outlay being earmarked and the contours unknown, the impact remains unclear. Arun Jaitley has also reached out to workers and women by extending EPF support. Small-scale industries, hurt by GST, have got a fillip, with companies below a turnover of ₹250 crore being allowed to pay corporate taxes at 25 per cent, the threshold having been raised from ₹50 crore to include a greater number of small companies. For senior citizens, this is a budget to savour, with their interest income up to ₹50,000 being exempt from taxes, against ₹10,000 at present. What's more, the standard deduction of ₹40,000 works best for them. Investors, including sections of the middle class, would have less reason to cheer, with dividends on mutual funds being taxed as well as long-term capital gains tax being imposed. The consumer will not be amused by the hike in the education cess either. However, the Budget is pro-actively producer-centric, whether it is boosting farm output, or sectors such as leather and toys that have been hurt by Chinese imports. It has chosen to reach out to sections that have hitherto been less pampered than the urban middle class — the traditional support base of the BJP. The question of reviving investments — key to pushing growth — remains largely unaddressed.

A stand-out feature is the whopping 67 per cent rise in estimated GST revenues in 2018-19 over the revised estimates, or from ₹4.44 lakh crore to ₹7.43 lakh crore. Even if one concedes that the ₹4.44 lakh crore is for nine months this year, this is an ambitious target. An expenditure increase of 9 per cent, excluding transfers, is not extraordinary. The Budget math is based on a combination of compliance and growth. Finally, the Government is betting on its own reform initiatives.

The theme this time is inclusive growth

Higher expenditure on agriculture, health and education, employment and MSME credit will all aid active inclusion

ASHIMA GOYAL

A pre-election budget was expected to be populist. On the face of it with large expenditures announced for agriculture, for employment generation, for social security, and fiscal slippage, it would seem to be a populist budget. But the nature of the expenditure increase and the slippage taken in context suggest that fiscal consolidation remains in place.

Inclusion is essential for sustainable growth. But only active inclusion is sustainable. Active inclusion is that which increases capabilities and allows more people to contribute to and participate in the benefits of growth. Expenditure on agricultural productivity, health and education, employment and MSME credit will all aid active inclusion.

As the last budget before the elections it does send a clear signal of working towards empowerment and active inclusion, where the attempt is to make working, living and doing business simpler, while better-targeted direct benefit transfers help those unable to work.

Composition of expenditure

The overall expenditure increase is at 12 per cent, very much in line with expected nominal GDP growth of 11.5 per cent.

Despite structural changes, the last year showed considerable tax buoyancy that will be enhanced in the next year. Even a modest increase in total expenditure allows a $2.5-trillion economy to spend large absolute amounts. The impact of the expenditure can be enhanced if it is well designed.

While expenditure on subsidies, for example petroleum, remains capped, there are large increases in spending for infrastructure, on reducing vulnerability (health), and increasing human capacity (education). Public expenditure that creates public assets has a higher and more persistent growth multiplier compared to the public consumption expenditure multiplier, because, apart from maintaining demand, it also reduces costs. Expenditure on non-tradeables also leaks less abroad.

Is the promised increase in minimum support prices (MSP) potentially inflationary? Large increases given by the previous government contributed to maintaining high food and general inflation. This government has kept the MSP increase low, which contributed to reducing inflation.

There are two alleviating factors today. First, a general glut in agriculture will tend to moderate overall price increase. Second, past and ongoing action on the supply-side, which is increasing productivity and lowering cost of production, will moderate price increase despite giving a higher mark-up on costs. Sensitivity of overall inflation to food inflation makes increasing agricultural productivity especially important.

Fiscal consolidation

Fiscal deficit ratio this year has come in at 3.5 per cent (target 3.2) and is projected for 3.3 per cent next year, marginally above the agreed-to fiscal deficit reduction path, which would have taken the FD ratio to 3 per cent next year.

However, the departure is marginal and credibility is maintained for two reasons. First, the recommendations of the new FRBM (Fiscal Responsibility and Budget Management) committee have been accepted with respect to a debt reduction path to a 40 per cent debt ratio and reaching a 3 per cent FD ratio by 2021. Second, even the FRBM committee had allowed a 0.5 percentage point departure from the FD target in a year of structural change. And a year when GST is introduced is a year of major structural change when slippages in revenue targets are to be expected. The deviation is small, less than that 0.5 percentage point.

Everyone counts When populism takes a back seat AP

Markets were also worried about government borrowing, with rates on benchmark 10-year g-secs hardening to above 7 per cent when the repo rate is at 6 per cent. But this budget should assuage market worries. With signs of a recovery in growth and real interest rates falling, debt ratios will fall faster. The gross borrowing requirement at ₹6.3 trillion is only marginally above last year's ₹6 trillion, and should be absorbed in a growing market. Net market borrowing is ₹4.62 trillion, only marginally above market expectations.

The tax buoyancy visible from GST and the rise in direct taxes may actually reduce borrowing requirement over the year. Moreover, in a booming equity market the Government may be able to raise more than the modest ₹80,000 crore estimated from disinvestment. This year they raised ₹1 lakh crore, exceeding their target for the first time, and by a massive ₹25,000 crore. Measures for innovative financing and selling ready assets to raise money for new investment and channeling more long-term savings, such as pension funds Indian and foreign, to infrastructure, will also help in financing expenditure without straining markets.

Incentives and governance

As they say, the way to hell is paved with good intentions. The latter do not matter unless they can be translated into actual achievements. However, there are measures that improve governance and incentives.

The budget continues and consolidates tax reform to widen the tax base and lower taxes. This improves incentives for compliance, pushing India towards a norm where all pay reasonable taxes. Corporate tax has been cut to 25 per cent for 99 per cent of firms. This will help MSMEs and job-creating entrepreneurship. There are tax incentives to increase employment.

There are measures to improve coordination across government departments to improve ease of doing business, such as the creation of a special logistics cell, and to encourage States to compete and improve the delivery of public services.

The grandfathering clause for the long-term capital gains tax on equity investment has helped markets absorb it without over-reacting. This, together with higher tax exemptions on income from fixed deposits will help even the playing field between different assets and discourage households from entering narrow markets at high price earnings ratios. This is good for financial stability.

More, however, could have been done in this critical area. Payments to farmers could be made conditional on phyto-sanitary measures that would improve the acceptability of agricultural exports. There was nothing on increasing finances available to urban local bodies. This is essential to support urbanisation.

While education was emphasised, the word 'skills' was barely mentioned in the budget speech. The absence of appropriate training is becoming a critical bottleneck in transferring youth out of farm jobs, which is essential to raising rural incomes.

There are problems such as certification requirements that the informal sector cannot satisfy, the absence of industry standards, or entry restrictions as in medical education that prevent government funds available for training being well used. Just increasing expenditure allocation is inadequate. These aspects need to be addressed.

The writer is a part-time member EAC-PM. The views are personal

Aiming to grow, inside out

The global scenario, the ability of the banks to lend following recapitalisation, and adequate rains all carry weight

ASHU SUYASH

A healthy, prospering Bharat is clearly the fulcrum of the Union budget this time. A plan for inside-out growth, as it were. That's par for the course given that for a while now, farm and rural distress has been vexing, despite two good monsoons.

Overall, Thursday's pronouncements will touch rural lives, farmer incomes, and profitability and efficiency of MSMEs. Women entrepreneurs get a special mention, too.

Major decisions

But the four most important decisions are the facilitation of financing beyond banks through the corporate bond market, the largest healthcare scheme to cover the poor and vulnerable, and reduction in corporate tax to 25 per cent for small and medium companies, and the breach in the fiscal deficit target. First up, the corporate bond market. A troika of facilitations have been made: large corporates have to meet 25 per cent of funding needs through bonds; regulators will be persuaded to recognise 'A' rating category bond investments; and lastly, States are being pushed to ensure uniform stamp duty on bond issuances. Implementation of these steps will take a chunk of the lending market away from the banking channel over a period of time, and also engender greater credit market efficiencies.

But the flip side is that a slower path towards fiscal consolidation could lead to higher interest rates that, in turn, reduces the relative competitiveness of bonds compared with banks.

Yet this cyclical disadvantage does not materially alter the impact of structural benefits that can arise from the implementation of the three facilitations, such as more issuers accessing the bond market, more opportunities for investors, and greater ease and efficiency in the issuance process.

We believe that a couple of additional steps can add further shine. These include establishment of a Bond Guarantee Fund of India to provide credit enhancements for lower rated bonds, and regulatory recognition to the recently launched expected loss, or EL, scale by rating agencies.

The wellness plan Holds hopeful prospects RANJEET KUMAR

The second-most important move is the new National Health Protection Scheme (NHPS), which proposes to provide 10 crore poor and vulnerable families coverage of up to ₹5 lakh per family per year for secondary and tertiary care hospitalisation. This is extraordinarily ambitious and sweeping as it proposes to cover a whopping one-third of Indian households. Administering this would be a big challenge given the paucity of health infrastructure in the country. To boot, the budgetary allocation to this scheme seems inadequate, and therefore, it is likely that this scheme will be administered over a period of time. So, immediate gains are unlikely.

The third important move is to reduce corporate tax to 25 per cent for companies with revenue less than ₹250 crore. This will help a lot of new economy companies, and therefore, is positive for innovation. As it is for MSMEs. This, along with the proposal to onboard public sector banks and corporates on the Trade Electronic Receivable Discounting System platform and link this with GSTN, will help improve the cash flows of MSMEs.

Fourthly, on the fiscal side, some of the initiatives have caused, and will cause, a worrying stretch, or a transient deterioration in the deficit arithmetic, but that should be expected in a pre-election year.

External push

Interestingly, while the budget proposals will incrementally contribute to economic expansion, the pace will come from factors outside the budget. In fiscal 2018, for instance, despite a near-normal monsoon and a rural-focused budget, the economy slowed and rural distress increased — all because extra budgetary factors turned adverse.

Economic growth has already bottomed out, and will get support from a strong global environment, enhanced ability of the banks to lend following recapitalisation, and another spell of adequate rains.

The writer is MD and CEO, CRISIL Ltd

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

The bad, the good, the rest

The budget is highly discouraging. The proposal to merge and list government insurance companies is a bad idea. There being no change in tax rates, increased cess, the introduction of an industry-friendly defence policy, the disinvestment policy, the revamping of gold accounts — all these go against the people. The much-touted national health insurance scheme is also aimed to give profits to private insurance firms.

JVLN Murthy
Vijayawada

Arun Jaitley deserves praise for presenting a pragmatic budget by keeping populist measures at bay. He has sent a clear message about the Government's commitment to the welfare of farmers. To the disappointment of the salaried class, he has left personal income tax rates unchanged. The efforts to achieve universal healthcare, the allocation of ₹1 lakh crore for educational infrastructure, the development of 22,000 gramin agri markets are welcome steps.

M Jeyaram
Sholavandan, Tamil Nadu

Budget 2018 is like a toned-down jallikattu bull run. But for the 'long-term capital gains pendant on the horn, the bull seems tame and uninterested. In fact the market shrugged off unclear concerns within minutes. What must be acknowledged is the maturity shown by not resorting to populism.

R Narayanan
Navi Mumbai

The finance minister presented a real budget, an account of the income and expenditure of the Government, a serious exercise. He didn't reduce it to an exercise where lollipops are distributed to play to the gallery. Management of an economy is a continuous, ongoing process. It cannot be fixed in one day. The Union Budget is a new beginning of flexible, sensible and mature policy framing, alive and responsive to the needs of the hour. This message has been efficiently delivered. One indication that the nation has given an equally mature response is reflected in the composed stock market reaction to the budget.

Mahendra B Jain
Belgaum, Karnataka

With the re-introduction of long-term capital gains tax for equities and mutual funds, calculation and reporting have become very complex. Could the budget have done better by increasing STT instead to shore up revenue? It would have been much simpler for the IT department to monitor and for the investor to report.

V Vijaykumar
Pune

No more quickfixes

This refers to 'Rural roll call: distress signals' (February 1). Freebies doled out to the farming community are just a quickfix measure, the problem remains. It is the duty of the Centre and State governments to play an active role by not merely giving subsidies but by fixing a minimum support price in the case of bumper crops.

HP Murali
Bengaluru

Informed agents

With reference to 'Payment banks: A reality check' by Misha Sharma (February 1), if agents are not properly informed about the products they offer on behalf of payments banks and are not incentivised then we will not achieve the desired results. There is no point giving up on this model at this stage as it can really change the whole financial landscape. Agents require more than handholding; ideally they should be accompanied by senior resources who have hands-on experience and can answer queries on the ground and have the power to take decisions so that they are able to gain the confidence of the people.

Bal Govind
Noida, Uttar Pradesh

CFVs a great idea

This is with reference to 'A blueprint for strategic cultivation' by Ajay Srivastava (January 31). With the new generation reluctant to take up agriculture as a profession and large stretches of farm land remaining uncultivated, corporate farming ventures are the answer. With the possibility of good wages, labourers also will be available. A good portion of the produce should be made available for internal distribution to avoid scarcity.

K Vijayan
Kannur, Kerala

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Designed for a pre-election year

There is something for everyone, but there are headwinds ahead as gains from low oil prices recede

USHA THORAT

Eyes on polls The budget has made all the right noises AP

While last year's budget could be described as 'post-demonetisation pre-introduction of GST', this year's is clearly a pre-election year budget. It has something for everybody: agriculture, health, education, housing, employment, salaried classes, pensioners, the small and medium sectors and infrastructure. The only segment of society that may have been a bit unhappy are those sitting on a pot of money on their investments in the equity market, especially those who would have wanted to exit. How has the FM managed to make everybody happy while keeping the overall fiscal balance not too much off the glide path?

The accompanying table clearly shows the extent of fiscal consolidation achieved in the last three years since the current government took over in 2014. The budget shows a slippage in the fiscal position in 2017-18, especially in revenue deficit, from 1.9 per cent of GDP (BE) to 2.6 (RE) of GDP — slippage of 0.7 per cent. This has occurred despite a healthy increase in tax revenue of ₹42,440 crore beyond what was budgeted. Even the bonanza in capital receipt of ₹1 lakh crore (against projection of ₹72,500 crore) could not contain the fiscal deficit to the budgeted figure of 3.2 per cent. Furthermore, it is presumed that ONGC's acquisition of HPCL for ₹30,000 crore will have been taken into the capital receipts in the budget. ONGC, it is understood, will approach the debt market for funding the acquisition. The fiscal slippage was primarily on account of the non-tax revenue being lower by ₹52,783 crore, compared to what was projected. Slippage on the expenditure side is largely on account of general services, which includes administration, defence, pension and so on. In fact the "good" expenditures — namely, social services — showed an overshooting of only ₹4,000 crore and economic services showed an undershooting of the budgeted expenditure, by ₹24,000 crore.

Hence the slippage cannot be justified by saying that the distinction between revenue and capital is not significant or that investment in education and health is as "good" as building roads and bridges. The data shows clearly that the slippage happened despite tax buoyancy and bonanza in disinvestment proceeds, and that the expenditure slippage was not in the social and economic services sectors. This leads us to examine the budget estimates for 2018-19.

Eye on actual revenues

Tax revenue is projected to increase by 16.6 per cent against the nominal GDP increase of 11.5 per cent, reflecting the FM's optimism. The projection for non-tax revenue growth at four per cent does not seem to assume any significant change in transfer of dividend from RBI or expectation of improved PSUs' dividend transfer. Also, the projection for capital receipts at ₹80,000 crore against ₹1 lakh crore in 2017-18, seems reasonable, in the light of the tightening liquidity conditions likely to emerge globally and domestically. On the expenditure side, overall growth at 10.1 per cent is lower than the overall nominal GDP growth and, in real terms, does not seem to reflect the impressive promises in the FM's speech. Social sector expenditure is projected to grow at 16 per cent, and this is very welcome. In case, however, the buoyancy in tax revenue is not maintained, the curbs may unfortunately fall on the social sector.

The budget speech made all the right noises. Ultimately it will be the actual revenues and expenditures that will trigger the expected outcomes, and this depends on the key risks the budget faces.

Key risks

The first risk is clearly oil prices. Just as when oil prices went down, there was a positive impact on growth and government revenues, when oil prices go up, there is a negative effect on both. If the government resorts to reduction in taxes, it will impinge on the tax revenue and the fiscal deficit. According to reports, in 2016-17 the Union government earned ₹2.43 lakh crore from excise duty on oil — this was 2.45 times what it earned in 2014-15. The total revenue from oil companies in 2016-17, which includes dividends and taxes from oil marketing companies, was also nearly double that in 2014-15. At the same time, higher oil prices will add to inflationary pressures.

This brings one to the second risk — namely, food prices. The proposed intention to keep the Minimum Support Price (MSP) for both rabi and kharif crops at one-and-a-half times the cost of production will put pressure on the fiscal deficit, as subsidies may have to be increased beyond the budgeted figures.

Increased oil and food prices would put pressure on inflation, and the third risk is clearly that of inflation. Inflation will increase the cost of government's borrowing. Tightening monetary policy would also imply that banks will face losses on their investment portfolio and their appetite for fresh government bonds may not be what it was in the last few years. Banks are already holding excess government securities and, as credit picks up, the government may find it challenging to put through the borrowing programme without pressure on yields. Increase in government bond yields would mean overall increase in lending rates just when the economy is beginning to pick up and needs affordable credit.

All in all, we are in for difficult times. The positive factors faced on account of low oil prices, low inflation, global liquidity, huge capital inflows are giving way to headwinds. Tackling the real sector by determined action to complete the implementation of stalled projects, push on infrastructure and further reforms in the power sector are the need of the hour, rather than tweaking fiscal or monetary policy to stimulate growth and employment.

The writer was Deputy Governor of the RBI. Via The Billion Press

Fiscal position 2017-18

	2013-14 (actual)	2014-15 (actual)	2015-16 (actual)	2016-17 (actual)	2017-18 (BE)	2017-18 (RE)	2018-19 (BE)
Revenue deficit	3.1	2.9	2.5	2.1	1.9	2.6	2.2
Effective revenue deficit	2.0	1.9	1.6	1.0	0.7	1.5	1.2
Fiscal deficit	4.4	4.1	3.9	3.5	3.2	3.5	3.3
Primary deficit	1.1	0.9	0.7	0.4	0.1	0.4	0.3

A big win for MSMEs

And the incentives for tourism sector will boost overall economy

RITESH AGARWAL

Budget 2018 stood for entrepreneurship, employment and quality of life. Not only it creates opportunities for SMEs with the Mudra Loan allocation of ₹3 lakh crore but further nurtures India as a haven for entrepreneurs. We were expecting a forward-looking budget with a reduction in corporate tax and the government has given a positive nod by bringing it down to 25 per cent.

Another notable aspect is government's strong stand for promoting training and skill development. These measures will help in augmenting the level of skills among the youth, with emphasis on those belonging to the weaker sections of society. The reduction in corporate tax is a much awaited and welcome move. Companies with a total turnover of up to ₹250 crore will have to pay 25 per cent as corporate tax. While this decision will generate a greater feel-good sentiment among corporate India, we are hopeful that the limit will be pegged higher than the current amount so as to benefit more corporate entities.

Tourism in spot

Jaitley's address clearly communicated the government's intentions of boosting tourism in the country. India has always had very strong tourism potential given our rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty. And with a growing economy and ever-increasing Government initiatives like 'e-Tourist Visa', 'Digital India', 'Make in India', etc. there has been an almost simultaneous increase in demand by business and leisure travellers for quality services and accommodation.

The decision to transform 10 prominent tourist places into iconic destinations via private funding, marketing and branding is highly laudable. The decision of investing in strengthening the country's airport network and infrastructure will boost the tourism sector for years to come. The Government plans to increase the number of airports by at least five times the present number of 124 enabling the country to handle the influx of over one billion travellers annually. Accordingly, an allocation of ₹60 crore to kick-start the initiative seems in order.

Besides, the UDAN Scheme will be connecting 64 unconnected airports across India. These measures will increase holiday travel and generate more employment among various sections of society. Apart from encouraging more entrepreneurial ventures and employment, the Budget also plans to increase the quality of life. For this, an agency would be set up to check pollution levels in the NCR, driving greater health coverage which is the need of the day considering the alarming levels of pollution engulfing metro cities.

GST concerns

With these positives, there were also some areas of concern involving GST. One major change which we were expecting was GST being levied on the actual price rather than the declared tariff for hotel accommodation. It is a well-accepted practice globally that discounts are given on the declared tariffs. Therefore, GST on paid tariffs would be realistic and reasonable.

One cannot overlook the fact that hotels and hospitality have countless upstream and downstream linkages. Consequently, the sector generates millions of jobs both directly and indirectly. With the Government making every effort to raise the number of jobs and employment avenues, a more realistic approach in the Budget towards the sector could have been beneficial for all entities involved.

The other cause for concern is the fiscal deficit at 3.5 per cent of GDP for FY2017-18. A higher fiscal deficit would make foreign and institutional investors wary of investing in Indian companies. For India's success story to gain more prominence, it is important that fiscal deficit targets are adhered to. The impact a higher deficit has on a nation's credit rating is already well documented and needs no reiteration, not to mention its negative impact on inflation.

Banking on them

Apart from the above, there were other salutary announcements. The decision to recapitalise public sector banks is just what's required since it will allow additional lending of ₹5 lakh crore. The outlay of ₹2.04 lakh crore for the 99 Smart Cities; the decision to develop 35,000 km via an allocation of ₹5.35 lakh crore under the Bharatmala project; the construction of a new tunnel in the Sera Pass; the introduction of the pay-as-you-use system at toll plazas; allocating ₹1.48 lakh crore for Railways' capex; the elimination of unmanned railway crossings; installing escalators at all stations having footfalls of more than 25,000; progressively building stations and trains with Wi-Fi and CCTV; etc. are all steps that will boost tourism footfalls.

Meanwhile, the industry remains hopeful that the missed opportunities of GST implementation on the actual price of hotel accommodation and other allied concerns will be addressed at the earliest in the coming months – in the interests of all entities and issues, including jobs creation. Overall, this budget is a big win for infrastructure, job creation, India's farming community and MSMEs.

The writer is Founder & CEO of OYO

Full of gimmickry

Benefits the rich and burdens the poor

SITARAM YECHURY

The last full budget of the Narendra Modi government is a classic example of what a post-truth budget looks like. There is a packaging done to show this as a pro-people budget. Look at the gimmickry of reduction in the petroleum prices. There is a reduction of ₹2 per litre because excise duty is being cut across the board. But the same ₹2 per litre is being taken away by increasing the cess on petroleum from ₹6 per litre to ₹8 per litre! In the last six weeks in Delhi, the price of petrol has gone up by ₹7.5 per litre. So ₹2 per litre is meaningless. It does not provide any relief for the people. The reduction in excise duty will benefit corporate houses. Increase in the cess will burden the people. Benefit the rich, burden the poor, that is the logic of this budget.

Now, the "great relief" provided to farmers. At the final year, the NDA regime repeats the same thing they had said in its first year that they would increase the minimum support price to one and a half times to the cost of production. While calculating the cost of production, they do not add the labour of a family that goes into the land. Neither do they add the cost of land rent. The farmer will continue to remain indebted.

Like the demonetisation episode, the budget presented by the Finance minister represents an attack on people's interests that is sought to be window-dressed to appear as its opposite. The budget presents no initiative to increase the mobilisation of revenues by direct taxes applicable to the rich. The Finance Minister talked a lot about measures such as massive expenditures on agriculture and rural development to increase employment, or the flagship national healthcare scheme of increasing medical coverage of 10 crore households to 5 lakh per year. What he did not reveal, however, is that the real priority was maintaining the confidence of international financial interests by reducing the fiscal deficit, to be achieved by bringing the government expenditure to GDP ratio even further down — from 13.2 to 13.0 per cent.

In 2017-18, the Centre had already cut the levels of capital expenditures and on central sector social schemes below the budgeted figures in a desperate attempt to meet a meaningless fiscal deficit target of 3.2 per cent of GDP. The truth, however, is that tax collections so far indicate that their growth over the previous year will be far below the demonetisation-hype-driven target increase of 25 per cent. In such circumstances, the Modi government has madly gone about finding ways of reducing the Centre's expenditure:

The total health expenditure has fallen from 0.32 per cent of GDP (RE, 2017-18) to 0.29 per cent of GDP (BE, 2018-19). Instead of spending on strengthening the public health system, the focus has been shifted to health insurance. At present, the lofty promises made about the health insurance of ₹5 lakh being provided to 10 crore households are not even matched by any budgetary allocation. Allocation to RSBY has increased by only ₹1,529 crore while no allocation has been made for the flagship National Health Care Protection Programme. Even assuming a premium of ₹ 15,000 per year per household, the scheme would require an allocation of ₹ 1,50,000 crore, which is about three times to total health expenditure of the Government.

The allocation for education has fallen from 0.49 per cent of GDP (RE, 2017-18) to 0.45 per cent in 2018-19. Lack of commitment to women's empowerment, the pink cover for the Economic Survey notwithstanding, is reflected in the fact that the gender budget has fallen from 0.68 per cent to 0.65 per cent of GDP. The allocation for welfare of Scheduled Tribes too only constitutes under 1.6 per cent; this is totally disproportionate to the 8 per cent share of tribals in the population. The allocation for welfare of Scheduled Castes is even more dismal, at 2.32 per cent of the total budget.

The writer is General Secretary of CPI(M)

A budget for New India

Economic empowerment and social inclusion count

BHUPENDRA YADAV

After bringing a multitude of structural reforms towards ease of doing business, the Government has now set its target on ease of living. The Budget is a further commitment to a governance regime which is friendly to the farmer, the common man and one that also provides an environment conducive for business and innovation.

Holistic revitalisation of agriculture and rural economy is the centre-piece of this Budget. In addition to the historic decision to increase the MSP of all Rabi crops to 1.5 times the cost of production, the Government has proposed to create institutional mechanisms for better price realisation and demand forecast. With the vision of doubling farm income by 2022, the government aims to improve avenues for marketing and has opened up new sources for farm income through sale of excess solar power produced by farmers. To boost financial inclusion in allied sectors like fisheries and dairy, dedicated infrastructure development funds and extension of the facility of Kisan Credit Cards have been provided. The focus is also on enhancing value addition and creating a liberalized agri-export regime.

The Saubhagya Yojana and Pradhan Mantri Awas Yojana aim to include all the hitherto left out regions in India's growth story by realizing the dream of power for all and housing for all respectively. The budget aims to consolidate gains in these schemes and boost them further. Apart from providing the necessary support to the backbone of our economy, these initiatives will cumulatively create about 321 crore person days of work, 51 lakh new rural houses and 1.75 crore new household electric connections.

In consonance with the National Health Policy 2017, the government has taken steps under 'Ayushman Bharat'. Setting up of 1.5 lakh Health and Wellness Centres and provision of health insurance coverage of up to ₹5 lakh per family per year signal a paradigm shift towards universal healthcare.

To further boost access to healthcare the budget provides for at least one medical college for every three parliamentary constituencies and at least one government medical college in each State. The Eklavya Model Residential Schools are a further step towards the socio-cultural rejuvenation of tribal communities.

In continuation of its efforts to incentivise honest taxpayers, the proposed standard deduction aims to reduce their tax burden. This provision will specifically benefit middle income taxpayers as well as pensioners.

To ensure sustained, fast-paced growth of the economy, the budget extensively focuses on infrastructure and transport. Redevelopment of railway stations, provisions of new sub-urban transport systems and setting up a dedicated railway university will go a long way in improving the efficiency of our national carrier. The UDAN scheme brought with it the dual gain of affordability and balanced regional development.

The budget also embraces future challenges and opportunities by providing for institutional responses to disaster resilient infrastructure and artificial intelligence. The setting up of a test-bed for 5G technology signals the departure of days when India used to lag the world in terms of telecom technology.

The Government's committed towards economic empowerment and social inclusion while maintaining fiscal prudence. This is the sign of a mature and confident New India.

The writer is Rajya Sabha MP and General Secretary of the BJP

A defeatist exercise

The Centre has failed to address agriculture, education and unemployment

P CHIDAMBARAM

It is the last full Budget of this Government, and I should add 'thank god for that'. Let me recall the economic context in which this Budget has been presented. I draw my facts from the Economic Survey presented on January 29.

There are two macro-economic situation vulnerabilities — fiscal account and current account. The real effective exchange rate (REER) has appreciated about 21 per cent since 2014, affecting India's export competitiveness, but the domestic political economy, meaning the BJP, favours a stronger, less-competitive exchange rate.

In the last four years, the level of real agricultural GDP and real agricultural revenues have remained constant. Jobs is the number one issue. Jobs are not being created. Industry — namely the MSMEs — create jobs. Industrial GVA growth has declined from 9.8 per cent in 2015-16, to 6.8 per cent in 2016-17, to 2.7 per cent in 2017-18. In the same period, manufacturing GVA has declined from 12.7 per cent to 7.9 per cent to 3.1 per cent.

The last number on investment (GFCF) was 28.91 per cent of GDP in the second quarter of 2017-18. The last number on CPI inflation was 5.21 per cent in December 2017. The last numbers on credit growth are — non-food credit 10 per cent and credit to 'Industry' 2.1 per cent. In the light of the above, the Budget proposals should have been bold and radical, and backed by adequate provision of funds. Unfortunately, they are a big let-down.

The big disappointments

The first is fiscal deficit. All deficits have crossed the Budget estimates. Against a BE fiscal deficit target for 2017-18 of 3.2, the fiscal number will be 3.5. Even that is questionable. Similarly, for 2018-19, against a target of 3.0, the FM has pegged it at 3.2. The second disappointment is with regard to exports... I did not hear any measures to boost exports.

The third disappointment is on agriculture. There is a promise to increase MSP 1.5 times, but there are no details. The Swaminathan Committee has been remembered in the last year of the Government's tenure! Besides, ₹2000 crore for e-markets and ₹500 crore for Operation Green (whenever the Cabinet will approve the scheme) amount to a pittance. There is nothing to indicate that farmers' real income will rise

The fourth disappointment is on healthcare. The promise of ₹5 lakh per family for secondary and tertiary healthcare is a big jumla. The target group is 10 crore families... The money has not even been provided for a premium, presuming that it is an insurance scheme.

Assuming that each family will avail of ₹50,000, the amount required per year will be ₹5 lakh crore! If the insurance companies will foot the bill, the premium at ₹5,000-15,000 per family will require an outgo of ₹50,000-1,50,000 crore per year. Is the FM serious?

The fifth disappointment is with regard to jobs. The FM has fallen back on the tried-and-failed Mudra scheme. More Mudra loans will mean more tokenism, but no additional jobs.

The sixth disappointment is about investment and credit... nothing to boost private investment... to encourage banks to lend and investors to borrow, for new investment.

The seventh disappointment is about tax relief. There is none for the average taxpayer. Only corporates with income up to ₹250 crore get a tax relief of 5 per cent.

Finally, the most disappointing part is the cut in the outlays on major schemes — MNREGA, PMAY, Swachh Bharat Mission, et al. This is a defeatist Budget. They have clearly run out of ideas.

The writer is former Finance Minister. The comments were made at the AICC

Being sensible rules over sensationalism

India's transition into an economy with a smaller agri workforce necessarily means more spending on rural education, health and infrastructure

HIMADRI BHATTACHARYA

Budget preparation and presentation in India is no ordinary affair. More by design than by accident, budgets are expected to meet everyone's desires and wishes. This year's exercise was no exception.

Different industry bodies wanted sops specific to them, investors wanted lower taxes and fiscal improvement, the common folk wanted lower inflation and better public services. The immediate aim of the Government was to recoup the erosion in its rural support-base that was witnessed in the recently held elections in a few provinces. There was also a political need on the part of the Government to demonstrate that its flagship long-term initiatives for improved governance, tax compliance, social and economic infrastructure and expansion in the envelope of the formal economy that normally require several electoral cycles to come to full fruition, are also showing results.

The sweep of this budget is indeed wide, as a consequence. There is hardly any major aspect of social and economic life that has been left untouched.

Covering good ground

At one level, there is nothing unusual about it, given the country's vast number of poor, dispossessed and oppressed on the one hand, and its underdeveloped and inefficient social security and infrastructure, on the other. At another, it recognises society's still-prevailing rent-seeking cultural mores, which expect the state to be on one's side from cradle to grave.

A significant section of the population and political class still expect that it is the state's responsibility to expand employment by directly hiring more hands. But, if the experience of the newly developed countries in Asia and elsewhere is any guide, the process of India's transition into an economy with a smaller workforce dependent on agriculture should necessarily involve larger spending on rural education, health and infrastructure, especially road and digital connectivity, leading mainly to higher agricultural income and productivity. It will be apposite to view and evaluate the budget from this perspective, among others.

The aggregate allocation for the rural, agriculture and allied sectors is higher by 24 per cent vis-à-vis the previous year. The financial infrastructure and support for agricultural activities are also sought to be strengthened. While the target for institutional credit for agriculture has been raised to a record ₹10 lakh crore, the operations of all 63,000 functional primary agricultural societies (PAC) will be modernised by way of computerisation and integration with the core banking systems of their respective district central cooperative banks. The latter-mentioned step can be transformational for the agricultural cooperative system of the country.

Juicy solutions? Only time will tell VM MANINATHAN

The increase in coverage of crop insurance is also noteworthy. The setting up of three funds for irrigation and dairy processing will hopefully address the lack of investment noticed in these areas for a long time. More than being a milestone, the completion of rural electrification in 2018 is also recognition of the fact that significant regional disparities in this regard have finally been addressed. The hike in allocation for rural housing by more than 50 per cent is positive, least of all for its employment generating potential in the adjoining areas.

Markets for produce

While the setting of minimum support price at 1.5 times the production cost of all notified crops is possibly intended to be viewed as the Government's response to the widespread rural distress caused by fluctuating agricultural prices, the budget has done well to announce the modernisation of country-wide markets for agricultural produce and linking the latter to the commodities exchanges. Greater participation of farmers in the emerging country-wide market for agricultural commodities, and hedging price risk — possibly through an institution such as PAC — in the commodities exchanges can reduce the dependence on MSP in future.

In most States, small farmers continue to be at the receiving end of the bargain at mandis run by APMCs, but dominated by middlemen. The budget seeks to expand the coverage of National Agricultural Market (e-NAM) from the current 250 markets to 585 APMCs, which will not only reduce the stranglehold of middlemen, but will also be one more important step toward creating a country-wide market for major agricultural commodities.

Target lags

As expected, the fiscal targets for the current year as also for 2018-19 will be missed. Although the deficit for 2018-19 has been pegged at 3.2 per cent of GDP, it is likely that it will be higher at least 3.5 per cent — same as the revised estimate for the current year — for the simple and obvious reason that the next elections will be in 2019, if not earlier. Thus, for the last two years in a row, the fiscal path will deviate from its target trajectory. This will create more uncertainty in the government securities market, which has already been in a bear phase for the last several months and has been the worst-performing in Asia.

Yield on government securities have risen by about 40 basis points since December 2017, and the immediate reaction of the market after the budget presentation was one of nervousness, pushing up the yields all across the curve by 5-10 basis points. By all indications, the Government's average borrowing cost in 2018-19 will be higher by about 50 basis points compared to 2017-18, although the quantum of market borrowing is planned to be lower. Moreover, the banks which hold an overwhelming majority of government securities will make significant valuation losses when they close their books on March 31, 2018, reducing their ability to lend more, all else being the same.

The fiscal slippage will also mean that the confidence of investors arising out of the country's first ratings upgrade in years last November will receive a jolt. A volatile government securities market will also not provide the best environment for introducing important reforms announced in the budget for corporate bonds. A good thing amidst all this is that the Government intends to use the ratio of Central government debt to GDP at 40 per cent as the macroeconomic anchor for its fiscal policies and operations in future.

On the whole, however, this is a good budget which will promote growth and investment. Its rural and social sector proposals, the most attention-catching and hotly-debated of which is the ₹5 lakh a year assistance to 10 crore families for medical treatment, will likely reduce distress and deprivation, and eventually result in higher and balanced economic activity in the country.

The writer is a former central banker and consultant to the IMF. Via The Billion Press

Balancing act

Support for the poor and incentives for corporates

SHUDDHASATTWA GHOSH

In what will be the last full budget of this government, the FM has focussed on agriculture, health, education, social protection, infrastructure and financial sector development. While there was a general expectation that he would increase the threshold limit for taxation in the case of individuals, he has not walked the path. He has, however, provided some relief to all strata of society which, however, comes with some heartburn too.

Long-term capital gain (LTCG) tax on sale of equity shares is one such example. From April 1, LTCG (in excess of ₹1 lakh) is proposed to be taxed at 10 per cent (without indexation) if the Securities Transaction Tax is paid both at the time of acquisition as well as transfer of equity shares.

The Government has provided a specific method of calculating the cost of acquisition, which will be the higher of actual purchase price; the lower of the fair market value of such an asset on January 31, 2018; and the full value of consideration received or accruing as a result of transfer of the asset.

Standard deduction

Standard deduction at ₹40,000 for salaried individuals has been reintroduced. It, however, comes with the discontinuance of benefits provided for transport allowance (₹19,200 per year) and medical reimbursement (₹15,000 per year). The change would lead to an increase in saving by up to ₹5,800 per year. Keeping in mind the Government's vision of "inclusive growth", differently-abled persons will continue to have the current tax benefit towards transport allowance.

The education cess on income-tax and secondary and higher education cess on income-tax are to be replaced by health and education cess at 4 per cent (currently 3 per cent). This would result in a minor increase in effective tax rates.

Other proposals for individuals

Senior citizens have the following reasons for cheer: Increase in deduction to ₹50,000 (from ₹30,000) for payments towards health insurance policy, preventive health check-up, and so on. Expenses incurred for the treatment for specified diseases to have an enhanced deduction of ₹1,00,000 (from ₹60,000). There is also an enhanced deduction up to ₹50,000 (currently ₹10,000) on interest income, which will now include interest from fixed deposits and recurring deposits.

The Government has extended the benefit of tax-free withdrawal from NPS to non-employee subscribers, to put them on par with employee subscribers.

Now let's take a look at the key amendments to corporate taxation. Corporate tax rate is proposed to be reduced to 25 per cent (from 30 per cent) for companies that had a turnover of up to ₹250 crore during 2016-17. The FM expects this to benefit the entire class of MSEs, which account for almost 99 per cent of companies filing tax returns. Also, this should eventually result in continuing the good run of the small- and mid-caps.

The definition of "business connection" is proposed to be widened from 2018-19 to cover situations where entities in India habitually conclude contracts for foreign principals. A concept of "significant economic presence" is proposed to cover emerging digital business models.

To minimise hardships in the case of genuine transactions in the real estate sector, no adjustments shall be made in cases where the variation between stamp duty value and the sale consideration of the immovable property is not more than 5 per cent of the sale consideration.

A new scheme will be formulated to conduct assessment proceedings using technology, to the extent possible, to enhance ease of administration and improve transparency. Also, certain provisions relating to the country-by-country report (CbCR) will be relaxed to improve effectiveness and reduce compliance burden.

The writer is Partner, People Advisory Services, EY. With inputs from Gautam Dalvi, Rahul Agarwalla and Rankit Gupta

Transitioning agriculture and MSMEs

The focus is not merely on improved financials, but also on efficient execution of programmes

RAJEEV CHANDRASHEKHAR

The Narendra Modi government took office on the back of an economy that was in tatters — a broken banking system due to NPAs, and shattered investor confidence due to corruption, scams and years of profligate spending. There were 12 quarters of successive GDP decline, 24 quarters of rising inflation, a record CAD of $400 billion, gross capital formation falling below 30 per cent, and so on.

Today, the GDP has grown, per capita income has increased, FDI flows have steadily increased with 2016-17 clocking a record high of $60.08 billion, foreign exchange reserves are at a record level of almost $410 billion, inflation has moderated and government finances are following a roadmap of fiscal discipline. Crony capitalism and piggy-banking on PSBs have come to an end, a battle against corruption is under way, ease of making investments and doing business has increased, and medium- to long-term investor confidence is high. The World Bank has stated that private investments in India are expected to grow by 8.8 per cent in FY2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's GDP in FY2018-19.

The economy has travelled far from those bleak dark days of 2014. Apart from the issue of NPAs, most of the problems inherited in 2014 have been addressed and the economy has further been structurally changed with demonetisation and GST. Although these reforms have come in for criticism, they mark necessary changes for long-term, sustainable, high growth.

Budget 2018 has many aspects, but I will focus on two issues that deal with the transition support to two important sectors — agriculture and MSMEs. They account for a large part of jobs and opportunities in India.

Focus on agriculture

Even after seven decades of Independence, agriculture remains in the news for farmer suicides and distress, caused by years of apathetic policymaking. This government has promised a complete restructuring of the agriculture sector and the farming economy.

The Prime Minister has set in motion a series of structural changes to the agriculture sector to transform it into a viable enterprise and financially empower farmers. Long-term initiatives like electronic national agriculture market (e-NAM), renewed focus on irrigation through the Pradhan Mantri Krishi Sinchayee Yojana, emphasis on health of the soil through the Soil Health Card scheme, neem-coating of urea, a farmer-friendly crop insurance scheme PMFBY are all meant to realise the goal of doubling farmers' income by 2022.

But it was clear there was need for transition support before farmers could truly gain from an open, disintermediated market. This had come through higher MSPs, a big relief in the short term. Allocation of ₹1,400 crore for the food-processing industry, ₹200 crore for agricultural markets, the announcement of Operation Green to ensure year-round production of onions, tomatoes and potatoes, and extending kisaan credit card benefits to fisherfolk will boost the rural economy and help consumers.

More for MSMEs

The MSME sector is a labour-intensive job creator. It is a critical part of our legacy economic model and forms part of the critical supply chain for products and services. The share of the sector in the country's Gross Value Added (GVA) is approximately 32 per cent; MSMEs play a crucial role in providing large-scale employment and in the industrialisation of rural and backward areas. According to the National Sample Survey (NSS) 73rd round, for the period 2015-16, there were 633.8 lakh unincorporated non-agriculture MSMEs in the country engaged in different economic activities providing employment to 11.10 crore workers.

MSMEs account for 17.4 per cent of total NPAs today. They have been caught in the pincer effect of the NPA crisis and transition impacts of demonetisation. I have been urging the Government to create a one-time restructuring window for MSMEs with their NPAs and boost transition support to MSMEs. The finance minister has promised relief on the issue of NPAs for MSMEs. The allocation of ₹3,794 crore for credit support to MSMEs is welcome. Reduced income tax rates of 25 per cent to MSMEs with a new threshold of ₹250 crore is also a welcome step. Further, the finance minister has responded to my request to give some relief to the cashew sector by reducing customs duty on cashew to 2.5 per cent from the current 5 per cent.

Future captains Of industry, medium and small SS KUMAR

On the informal front

As far as the informal sector is concerned, the process of formalisation has rapidly started with MUDRA and demonetisation. Since its launch in April 2015, MUDRA Yojana has led to a sanction of ₹4.6 lakh crore in credit to 10.38 lakh MUDRA loans. It is also a great initiative towards financial inclusion and equitable development, as 76 per cent of the loan accounts are of women and more than 50 per cent belong to scheduled caste, scheduled tribe and OBC groups.

Hence, the budget is correct in focusing on accelerating the formalisation by further expanding the reach of MUDRA by allocating ₹3 lakh crore, a nearly 20 per cent rise from last year's allocation of ₹2.44 lakh crore.

Of course, the issue of NPAs continues to plague our economy; it is one I wish the Government had started addressing in 2014 as many of us had urged. That remains a solution down the road with the recapitalisation of banks under way.

And so, apart from these three critical issues that needed intervention and transition support — which the budget has delivered — there is a clear continuation on the roadmap that commenced in 2014, of transformation into a more competitive, efficient and clean economy that would grow at higher rates. The focus on the poor and rural Indian remains steadfast — using not just higher financial allocations but also a more determined emphasis on execution and integrity. Many solid reforms can now be planned to further boost growth and prosperity in the coming years.

The writer is a Rajya Sabha MP

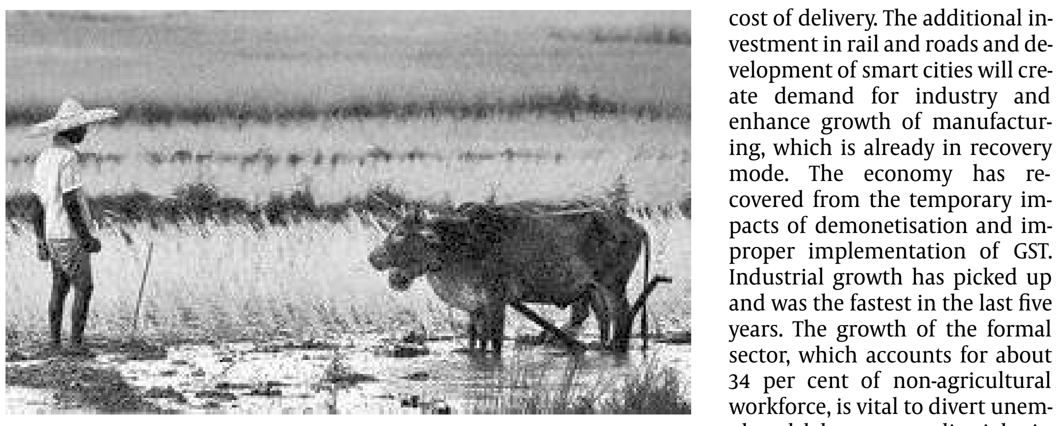
Jaitley's given us a blueprint for the future

The focus on infra, agri will power long-term growth, and benefit the less-privileged too

SANJIV GOENKA

Finance Minister Arun Jaitley has taken care that the budget reflects the values and aspirations of the people and, at the same time, becomes a blueprint for the future. Alongside, it ensures high growth and will benefit the less-privileged sections of society.

The minister has taken care that the budget contains seeds of growth which will endure over time. The budget lays emphasis on agriculture, infrastructure, employment and exports. These are the weak points in the current economic situation.



Lush canvas Focussing on reality RITU RAJ KONWAR

Agriculture and infrastructure are at the core of this budget. Jaitley has given utmost attention to the problems of farmers and has provided for measures such as cluster models and organic agriculture, which would improve value addition in agriculture, and for pricing of products through new institutional systems such as gramin markets, agro-processing and mega food parks, as also maintaining MSP at 1.5 times the market rate. The focus on infrastructure was critical as it will create jobs, ease business and reduce cost of delivery. The additional investment in rail and roads and development of smart cities will create demand for industry and enhance growth of manufacturing, which is already in recovery mode. The economy has recovered from the temporary impacts of demonetisation and improper implementation of GST. Industrial growth has picked up and was the fastest in the last five years. The growth of the formal sector, which accounts for about 34 per cent of non-agricultural workforce, is vital to divert unemployed labour to quality jobs in small and large industries.

The finance minister has, therefore, given special consideration to MSMEs, which are important employment generators, by extending the coverage to companies with turnover of ₹250 crore and supplementing EPF with a 12 per cent contribution.

It has been the experience of every fast-growing economy that it has to be supported by exports. The budget has addressed this need and facilitated exports particularly in intensive industries such as textiles, processed food, and leather and footwear, in which India has an advantage.

This is extremely important because the rupee has hardened against the dollar due to inflow of FII funds and can come in the way of export expansion.

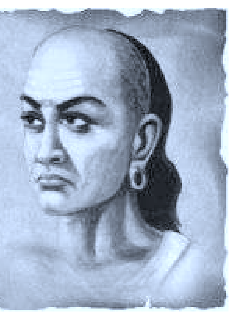
The expenditure side of the budget is in tune with the needs but there is a revenue shortfall. Consequently, the fiscal deficit, due to changes in the economic situation, went out of hand this year and will not be within the earlier target in spite of the increase in disinvestment.

The writer is chairman of the RP-Sanjiv Goenka group

जनपदः सर्वकर्मणां योनिः, ततः प्रभावः

"Power comes from the countryside, which is the source of all activities."

[7.14.19]



BJP flaunts pro-poor image; Cong scoffs

Govt showcases Budget sops for farmers, mega health scheme; Opposition goes into a huddle to formulate Parliamentary strategy

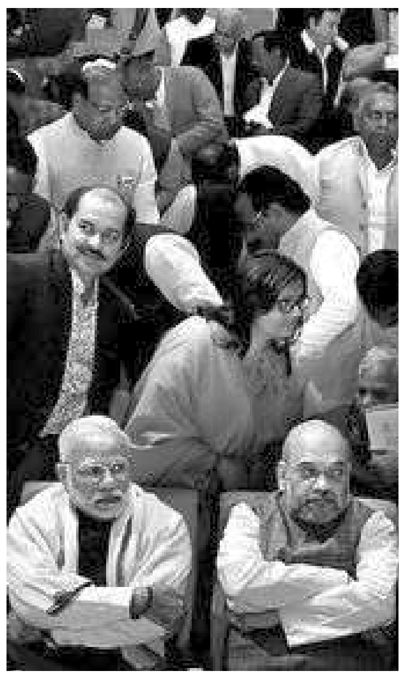
OUR BUREAU
New Delhi, February 1

The BJP showcased its rural- and farmer-centric Budget, as also the document's tryst with the "biggest health-care scheme in the world" on a day when the Opposition Congress, notching up victories in by-elections in Rajasthan sought to dismiss the ruling party's policy formulations as a "bunch of jumlas".

The sheer coincidence of the Congress' big wins in BJP-ruled Rajasthan on the day of the Union Budget fired up the Opposition, while the BJP marshalled forces to project a "pro-poor, pro-farmer" policy direction.

At meeting of Opposition parties was held at Sonia Gandhi's residence, where leaders including NCP President Sharad Pawar, expelled JD(U) leader Sharad Yadav, Trinamool Congress MP Derek O' Brien, RJD MP Misa Bharati, CPI(M)'s Mohammad Salim, SP leader Ramgopal Yadav, CPI's D Raja and TKS Elangovan of the DMK were in attendance to chalk out a joint floor strategy during the discussions on the Budget.

The BJP Parliamentary Party also met in the evening.

Former prime minister Manmohan Singh, UPA chairperson Sonia Gandhi, Congress President Rahul Gandhi, former JD(U) leader Sharad Yadav and Trinamool Congress MP Derek O'Brien at a meeting of opposition parties in New Delhi on Thursday. (Right) Prime Minister Narendra Modi and BJP President Amit Shah at the Parliamentary party meeting RV MOORTHY

Roadmap to uplift poor: BJP

Party President Amit Shah gave out a six-page statement hailing the Budget as a roadmap to bring development and prosperity to "the poor, farmer, Dalit, tribals and the working class population".

Finance Minister Arun Jaitley underlined the BJP's "pro-poor" credentials by asserting in the Budget speech that the people belonging to the poor and middle class are not case studies for the ruling party's top leadership because "they themselves are case studies", having seen "poverty at close quarters".

The "pro-poor, pro-farmer" line was carried forward by Amit Shah who said that the "crores of common people associated with the BJP recognise that the Union Budget this year paves the way for empowerment and upliftment of the poorest sections of the population."

"Special care has been taken to address the welfare of the farmer in the Budget. The government has taken the historical step of increasing MSP's by 1.5 times over the input cost in the direction of doubling farm income by 2022."

The BJP President also laid specific emphasis in highlighting the Budget promise to provide support of ₹5 lakh for hospitalisation of the poorest 10 crore families.

'False promises'

The Opposition, specifically the Congress, seemed set to portray the BJP as a party that "makes false promises". Former Finance Minister P Chidambaram made a detailed statement underlining that the ruling party has not put its money where its mouth is.

Answering a question about the BJP presenting a "populist" Budget in the last full year of its tenure, Chidambaram said: "It is a defeatist Budget. They have run out of ideas, They have a run out of gas. The government has conceded that after four years, it has failed to substantially address three fundamental issues – agriculture, education and unemployment."

While Chidambaram elaborated on how each of the ideas that the BJP has hailed as "historic and big" is not followed with allocations and outlays, Congress President Rahul Gandhi took to Twitter to assert that the BJP has done nothing except make false promises in the last four years.

"Four years gone; still promising farmers a fair price. Four years gone; fancy schemes, with no matching budgets. Four years years gone; no jobs for our youth. Thankfully, only 1 more year to go. #Budget2018," Rahul tweeted.

Clearly, unemployment and farm distress would be the Congress' main points of attack on the BJP in the days to come, while the ruling party would fashion itself as the "party of the poor and for the poor".

Why Bengaluru's suburban rail is now a political project

Anil Urs
Bengaluru, February 1

The Centre's allocation of ₹17,000 crore for Bengaluru's suburban rail network is being seen as an attempt by the BJP to corner political ground in the Karnataka capital.

The State goes to the polls in a few months.

The city is home to as many as 28 Assembly seats, and has the ability to influence another 60 seats in the neighbouring districts of Kolar, Tumakuru, Chikkaballabur, Hassan, Mandya and Mysuru.

The project

"A suburban network of approximately 160 km, at an estimated cost of ₹17,000 crore, is being planned to cater to the growth of the Bengaluru metropolis," Union Finance Minister Arun Jaitley said in his Budget speech on Thursday.

On Wednesday, the Karnataka State Cabinet had approved ₹349 crore — or 20 per cent of the total project cost of ₹1,745 crore — for the suburban rail project.

"This was a long pending issue, which has been finalised now. Soon after the Budget provision is made, work will commence. The SPV will raise the necessary funding as per the suburban railway policy of Indian Railways," explained TB Jayachandra, Karnataka Minister for Law and Parliamentary Affairs Minister.

Bengaluru is crucial

In the run-up to the Assembly polls, Bengaluru has gained importance. The BJP, which had a vice-grip over the city civic body (BBMP) and a lion's share of Assembly seats till 2013. However, in the elections held that year, it won only 12 of the 28 Assembly seats, while the incumbent Congress bagged 13. Later, the BJP also lost the civic body polls to the Congress and the Janata Dal-Secular (JD-S).

Now, after urban voters helped the BJP win, but narrowly, in Gujarat, the BJP is pulling out all the stops to regain control of Bengaluru's voters.

The party intends to make major gains with Prime Minister Narendra Modi's urban-centric image.

Also, as the party is weak in Old-Mysore region, any gain in Bengaluru is a plus for the BJP, and could be a game-changer. And while the Mahadayi river-sharing row could cost the party in the Mumbai-Karnataka region, a gain in Bengaluru could compensate it.

TWEETOSPHERE

4 years gone; still promising FARMERS a fair price. 4 years gone; FANCY SCHEMES, with NO matching budgets. 4 years gone; no JOBS for our YOUTH. Thankfully, only 1 more year to go.

Rahul Gandhi
Congress President

Windfall increase in funds for Dalit, tribal communities

AGENCIES
New Delhi, February 1

The allocation of funds for Scheduled Caste (SC) and Scheduled Tribes (ST) has been increased to ₹56,619 crore and ₹39,135 crore respectively, Finance Minister Arun Jaitley said during his Budget presentation on Thursday.

This is an increase of ₹3,900 crore and ₹6,627 crore respectively over the previous year's outlay.

Jaitley said that allocation to SCs was for 279 programmes for the community and the allocation to STs was for 305 programmes for the section.

In 2017-18, the RE (revised estimate) of earmarked allocation for SCs was ₹52,719 crore and ₹32,508 for STs, Jaitley said.

He also announced that the welfare fund for the SCs will get a boost. The Micro Units Development and Refinance Agency Bank (MUDRA) Yojana launched in April 2015 led to the sanction of ₹4.6-lakh crore in credit from ₹10.38 crore MUDRA loans.

While 76 per cent of loan accounts are of women, more than 50 per cent belong to the SCs, STs and Other Backward Classes (OBCs). Budget 2018-19 proposed to set a target of ₹3-lakh crore for lending under MUDRA after having successfully exceeded the targets in all previous years.

On B-Day, Cong steals the glare with Rajasthan wins

OUR BUREAU / AGENCIES
New Delhi, February 1

The Congress on Thursday won by-polls to two Lok Sabha seats and one Assembly constituency, all of which were earlier held by the ruling BJP.

The opposition party's wins come as Assembly elections are to be held in the desert State later in the year.

The Congress appeared upbeat, and said the results were a disapproval of the Narendra Modi government's policies and signalled to changing fortunes of

Congress president Rahul Gandhi said he was proud of each of the partymen in the State. "Well done Rajasthan Congress! Proud of each and every one of you. This is a rejection of the BJP by the people of Rajasthan," Gandhi tweeted.

"Today Rajasthan and then Hindustan… This result is an indication of the upcoming assembly election and the general election," Congress's chief spokesperson Randeep Singh Surjewala said. "People have given their verdict on the four years of Narendra Modi government and on the Budget," he added.

PCC president Sachin Pilot said the result is the beginning of the end of the BJP in the State. "Hats off to the hard work put in by all Congress workers, leaders, volunteers and well wishers. This is the start of the end of BJP in the State," he tweeted.

Congress workers celebrate the party's wins, in Bikaner on Thursday PTI

Congress candidates Karan Singh Yadav and Raghu Sharma were leading their nearest rivals Jaswant Yadav and Ram Swaroop Lamba by over 1.94 lakh and 80,455 votes in the by-poll for Alwar and Ajmer seats respectively, Chief Electoral Officer Govind Sharma said. The main opposition party's candidate Vivek Dhakad has already won the Mandalgarh Assembly seat, defeating his BJP rival Shakti Singh Hada.

Budget will catalyse development, provide hope: Modi

OUR BUREAU
New Delhi, February 1

Budget 2018-19 is expected to catalyse the country's development process and provide hope to 125 crore residents, Prime Minister Narendra Modi said.

"The Budget's focus is on issues ranging from agriculture to infrastructure. On one hand, the Budget covers aspects such as health plans to address the concerns of the poor and middle-class, while on the other hand it has plans to increase the wealth of small entrepreneurs in the country."

He termed the Budget "farmer-friendly, common-man-friendly, business-environment-friendly as well as development-friendly."

Modi said that in addition to the 'ease of doing business', the Budget has also focused on the 'Ease of Living'. "More savings for the middle-class; new-generation infrastructure for 21st century India, and better health assurance — all are concrete steps towards Ease of Living."

Modi also said the Centre will put in place a sound system in consultation with the states to ensure that the farmers can avail full benefits of the Budget.

From President to MPs, Jaitley gives them all a 'gift'

PRESS TRUST OF INDIA
New Delhi, February 1

The salaries of the President and the Vice-President have been increased to ₹5 lakh and ₹4 lakh per month respectively, in a rectification of an anomaly.

MPs also have reason to cheer — their basic pay is set to be doubled to ₹1 lakh from April 1 this year. Allowances under various heads given to Members of Parliament will also be increased.

Announcing the hike in their salaries in his Budget speech, Finance Minister Arun Jaitley said the emoluments of the President, the Vice-President and the Governors were last revised with effect from January 1, 2006.

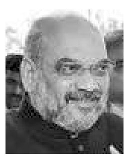
"These emoluments are proposed to be revised to ₹5 lakh for the President, ₹4 lakh for the Vice-President and to ₹3.5 lakh per month for the Governors," he said, amidst thumping of desk by the members in the Lok Sabha.

As of now, the President gets ₹1.50 lakh per month; the Vice-President, ₹1.25 lakh; and a Governor of a State, ₹1.10 lakh.

Till now, the trio's respective salaries was less than that of top bureaucrats and service chiefs since the laws were not amended to rectify an anomaly with the implementation of the 7th Pay Commission's recommendations two years ago.

After the implementation of the 7th Pay Commission's awards on January 1, 2016, the Cabinet Secretary, who is the top-most bureaucrat in the country, gets ₹2.5 lakh per month and a Secretary in the Union government draws ₹2.25 lakh per month.

Voices from the ruling set...

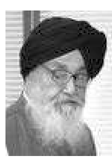


This Budget gives new wings to the aspirations of the poor, farmers and the middle class. The #NewIndiaBudget will truly empower all sections of the society to attain prosperity

AMIT SHAH
BJP President

I could not listen to the entire Budget speech of (Finance Minister) Arun Jaitley, but heard the parts relating to agriculture, health and education. The Finance Minister deserves applause on these counts

NITISH KUMAR
Bihar Chief Minister



The Budget carries the stamp of Arun Jaitley's concern for farmers in general and for Punjab farmers in particular

PARKASH SINGH BADAL
Akali Dal leader & former Punjab CM

Agriculture is the lifeline of our country. I welcome government decision to provide 1.5 times of cost as minimum support price (MSP) for Rabi crops

SHIVRAJ SINGH CHOUHAN
Madhya Pradesh Chief Minister

... and the Opposition

It is a defeatist Budget. I think they have thrown in the towel. It is a budget of a government which has conceded that it has failed to address key issues in the economy... Unfortunately, the Budget proposals are a big letdown

P CHIDAMBARAM
Congress leader

This Budget, being the last one for this government, clearly shows it is announcing the schemes keeping in mind the coming Lok Sabha polls...It is a campaign for them. We consider it a 'big jumla'

MOHD SALIM,
CPI(M) MP

I am disappointed that the Centre continues its step-motherly treatment to the national capital

ARVIND KEJRIWAL
Delhi Chief Minister

In its last Budget, the BJP has shown it only favours the capitalists. Now people will reply. It's a slap on face of traders, women, working class and the common man. The poor, farmers, labourers are disappointed.

AKHILESH YADAV, SAMAJWADI PARTY PRESIDENT

CH-X

463

ஆக்கம் கருதி முதலிழக்கும் செய்வினை
ஊக்கார் அறிவுடை யார்

If 'gain ahead!' means loss of present cash
King, pause! That undertaking's rash

FROM OUR RESEARCH BUREAU

Gurumurthy K

LTCG tax not to impact FPI flows

The market's worst fear came true on Thursday. The Budget has proposed to tax long-term capital gains exceeding ₹1 lakh from the transfer of listed equity shares, units of equity-oriented funds at a rate of 10 per cent.

Though the markets turned nervous immediately after this announcement, the benchmark indices clawed back from the day's lows. Also, to promote the trades in stock exchanges located in the International Financial Services Centre (IFSC), the capital gains on derivatives and certain securities transacted by non-residents have been exempt from tax. Additionally, the Alternative Minimum Tax (AMT) for non-corporates in IFSC has been fixed at a concessional rate of 9 per cent. This could boost transactions in the IFSC at the GIFT City that is beginning to see traction in recent months.

The introduction of long-term capital gains tax in equities is not going to have a major impact on the foreign portfolio investors' flow into the Indian equity market.

The background

India has been one of the much sought after emerging market destinations for FPIs. Data from the National Securities Depository Limited (NSDL) is clear evidence for this. Data available for the last 16 years (since 2002), indicates that in only two years, FPIs were net sellers in the Indian equity segment. In 2008, they sold around $12 billion and in 2011 $0.36 billion. On similar lines, after buying about $7.6 billion in equities in 2017, the flows in 2018 have also begun on a strong note with FPIs having pumped in $2.2 billion in January.

Takeaways

- India to remain a favourite destination for FPI
- Stable economy and currency to favour flows
- Any impact could be temporary

Three major factors make India more attractive for the FPIs. Firstly, the Indian economy is considered more stable compared to many of its peers. Secondly, the volatility in the Indian currency is relatively less (and consequently the currency is more stable) compared to other emerging market currencies. This makes the return on investment more attractive for the FPIs. Thirdly, the Indian benchmark indices have given relatively better returns over the last few years. In four out of the last six years, Indian equities have given the best return (year-on-year).

Impact

Allowing the gains made until January 31, 2018, to be completely exempt from capital gains tax could be a catch since the markets are currently at record highs. FPIs may want to lock-in some profit to enjoy the benefits of grandfathering. But this could be a short-term phenomenon and will not stop the FPIs from investing in Indian equities. Also, according to sources, while markets such as Singapore and Hong Kong do not tax the capital gains from equities, others such as Brazil (15 to 22 per cent), China (25 per cent), and South Africa (22 per cent) do levy this tax. Given this and with India taxing the gains exceeding ₹1 lakh only, FPI flows are unlikely to lose momentum.

TWEETOSPHERE

The market is a 'Buy'. Too much global tailwind for emerging markets for India to buck. That said, I doubt the fiscal target will be met.

Shankar Sharma

Co-Founder & Chief Global Strategist, First Global

15 minutes that shook the Sensex

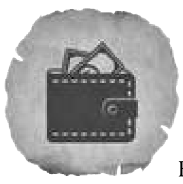
FM's assurance that all equity investments as on date would be 'grandfathered' from the tax helped recovery

PALAK SHAH

Mumbai, February 1

Fifteen minutes during Finance Minister Arun Jaitley's Budget speech caused panic in dealing rooms of most stock broking houses. Months of stock market calm was shattered on Thursday between 12.15 pm and 12.30 pm when Jaitley uttered the words 'Long Term Capital Gains' (LTCG) tax for the first time during the last segment of his two-hour Budget speech, sending a chill creep down the spine of many traders. The Sensex, India's equity gauge, crashed nearly 755 points from the day's high to touch a low of 35,501. Small- and mid-cap stocks were a sea of red in those fifteen minutes.

"A lot of frayed nerves were calmed only when Jaitley uttered the word 'grandfathering' in his speech and within minutes the Sensex was on its way to recovery," said Jatin Shah, a sub-broker for Ventura Securities in Mumbai.



LTCG, the impost most dreaded by stock market players, was imposed by the government in its last full Budget ahead of next year's national elections. While there has been heated debate among stock market players on the tax since December, few believed that the government would dare to implement it in an election year. Jaitley did go for the 'kill' but its impact was at least temporarily nullified as he said that all equity investments as on date would be protected or 'grandfathered' from the tax.

"For the stock markets, the day started on a lacklustre note, but those fifteen minutes of confusion on the LTCG gave some nail-biting moments. That apart, there was nothing much," said Sudip Bandyopadhyay, Chairman, Inditrade Capital.

Cheers agri-related ones

Shilpa Kumar, MD & CEO, ICICI Securities, said despite these all-encompassing steps, the government has managed to stay within the acceptable range of fiscal deficit target. Moreover, the broadening of tax was also achieved with the calibrated move of introducing LTCG with the "grandfathering clause" aimed at allaying market concerns.

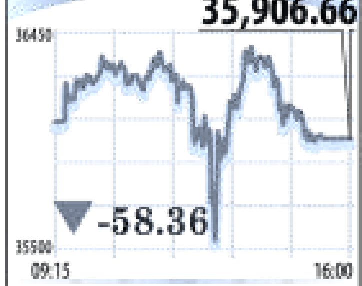
The Sensex began the day with gains of around 150 points when business news channels flashed that the Finance Minister was on his way to Parliament from North Block. The index extended its gains to 250 points when Jaitley rose to present the Budget at 11 am and there was not much action until after 12 noon as agri-related announcements took the airtime.

Reverses from green

"Usually, there has not been much action in stock markets during Budget days in the recent past as people's fixation with it has come down," said Manish Gunwani, CIO — Equity Investments, Reliance Mutual Fund.

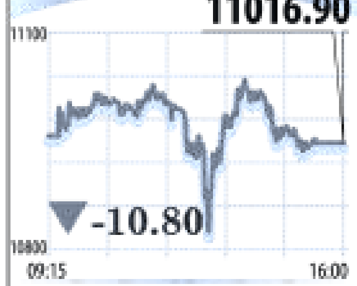
"Yet, on Thursday, people were more attentive than usual due to the initial hype of LTCG and this being the last full Budget ahead of general elections. At the end, I could see more puzzled faces, and the market closing too displayed the same."

BSE Sensex FEB 1 2018 **35,906.66** ▼-58.36



TOP GAINERS		TOP LOSERS	
M&M	4.44	ONGC	-4.06
Larsen Turbo	2.77	Sun Pharma	-3.07
Indusind	2.44	Dr Reddys	-2.30
Bajaj Auto	2.13	SBI	-2.04
Asian Paints	1.89	ICICI Bank	-1.77

NSE Nifty FEB 1 2018 **11016.90** ▼-10.80



TOP GAINERS		TOP LOSERS	
M&M	4.68	Sun Pharma	-4.41
Eicher Motors	4.17	ONGC	-4.20
Bajaj Finance	3.08	Dr Reddys	-3.03
Larsen	2.76	Aurobindo	-2.91
IndusInd	2.42	Lupin	-2.64

PTI GRAPHICS

But by 1.40 pm, with a little over an hour-and-a-half left for market closing, the Sensex recovered nearly 700 points from the day's low. Just when traders believed the fall was a decoy, the index reversed its course to close at 35,906, nearly 60 points below its Wednesday closing price.

FPIs turn buyers

In the past, out of 21 Budget trading sessions, the Sensex and the Nifty have had 11 sessions of positive closing and 10 where the close was in negative zone. Budget day volatility during the current government picked up only in 2017 when the markets rose nearly 1.7 per cent on February 1, 2017, as mutual funds pumped in record money. On Thursday, foreign portfolio investors bought stocks worth ₹1,099 crore, while DIIs net sold stocks worth ₹358 crore.

According to Navneet Munot, ED & CIO, SBI Mutual Fund, the other aspects of the Budget such as increased recourse to PSE borrowing (₹1.7 lakh crore), reduced tax differential between bonds and equity (post LTCG), higher MSP for farmers (implying likelihood of higher inflation) and more income in the hands of senior citizens (who invest in fixed income space) can have mixed impact for the bond markets. Consequently, it is too early to ascertain the overall impact on the capital markets.

Divestment: Govt targets ₹80,000 crore

PRESS TRUST OF INDIA

New Delhi, February 1

The government expects to raise ₹80,000 crore from PSU disinvestment in the next fiscal, lower than ₹1 lakh crore raised this financial year.

In the Budget for 2018-19, Finance Minister Arun Jaitley said the Department of Investment and Public Asset Management (DIPAM) will move forward to bring in more Exchange Traded Fund (ETF), including launching a debt fund.

Merger of insurance firms

Also three insurance companies — National Insurance, United Assurance and Oriental Insurance will be merged to create a single entity, which would be listed on the bourses, he said.

"We had set a ₹72,500 crore disinvestment target for 2017-18. We have already exceeded the target and achieved ₹1 lakh crore....I am setting the disinvestment target of ₹80,000 crore for 2018-19," Jaitley said.

He said 40 CPSEs and 24 strategic disinvestment, including that of Air India, are on course, while ONGC take over of HPCL has been completed in the current fiscal.

The 2017-18 Budget had set the target of disinvestment in public sector units at ₹72,500 crore.

This included ₹46,500 crore as disinvestment of CPSEs, ₹15,000 crore from strategic disinvestment and ₹11,000 crore from listing of insurance companies.

The government reduced stake in several PSUs this fiscal, including EIL, NTPC, NALCO and OIL.

Two state-owned insurance companies, GIC and New India Assurance, as well as HUDCO were listed this fiscal.

Boost to rural economy, MSMEs good for earnings growth cycle

PRIYA KANSARA

Mumbai, February 1

Growth evidently takes care of everything, including the stock market. Although investors may, over the next few trading sessions, react negatively to the imposition of long-term capital gains tax, they will forget the pain once earnings growth starts kicking in and, in turn, the market goes up.

The challenges faced by the rural economy (especially in the wake of demonetisation and crop failures) and the slowing private capex cycle were the two big hurdles to a recovery in earnings and were the main concerns of equity investors.

The government partly addressed this on Thursday by giving a boost to the rural sector with many measures, including a formal mechanism for increasing the minimum support price of agricultural produce, allocations to the food processing sector, incorporation of a farm development fund, provision of kisan credit cards, and plans for food parks to enhance farm exports.

Mustafa Nadeem, CEO, Epic Research, expects the Budget to stoke rural demand and boost corporate earnings. According to Rakesh Tarway, Head Research, Reliance Securities, "Companies and sectors deriving much of their revenues from the rural economy, including two-wheelers, fast-moving consumer goods and fertiliser, will benefit."

Tarway reckons that policy measures in the Budget will lift the agrarian economy and economically weaker sections of the population, which will, in turn, have a far-reaching impact on macroeconomic growth rates and narrow the income gap.

The growth of the rural economy will also benefit sectors such as four-wheelers, consumer durables, housing (across the entire chain, from housing finance to building materials), cement and steel.

Along with the rural economy, the boost to the MSME sector will offer similar benefits and also address the problem of the slowing private capex cycle.

"All initiatives are centred around development, growth and enabling the rural poor towards getting higher income and better quality of life," said Sunil Sharma, Chief Investment Officer, Sanctum Wealth Management.

"The other notable point was the reduction in corporate tax rates for MSMEs, which are the engines that drive the economy. This will help free up earnings and capital for investment," he added.

Ghost of LTCG back on Dalal Street

PALAK SHAH

Mumbai, February 1

The stock markets are surprised but there is no despondency with regard to long-term capital gains (LTCG) tax. Finance Minister Arun Jaitley has gone for the big 'kill' by implementing a 10 per cent tax on LTCG made from equity investments held beyond a year, which was exempt from any tax so far.

"It is too early to gauge the impact of the move, but I credit the government for the bravado it has shown in implementing such a tax on the stock markets in an election year," said Rahul Arora, CEO, Institutional Equities, Nirmal Bang. "Though, the timing could be debated as India is raising its taxes when the world is moving in the opposite direction."

The BSE, in a presentation to the government, had said that tax revenue worth around ₹49,000 crore was being lost every year due to lack of LTCG. In 2005, then Finance Minister P Chidambaram had replaced tax on LTCG with the Securities Transaction Tax (STT), which led to a massive boost in derivative trading volumes.

"The charm of holding equity investments for a longer term is likely to go away," said Dhiraj Relli, Managing Director & CEO, HDFC Securities. "Investors may feel there is no incentive for them over traders for playing the long-term game and it will lead to a lot more churn in portfolio."

TECHNICALLY

Up, down, back up: Budget has indices confused

The charts point to more indecisiveness ahead

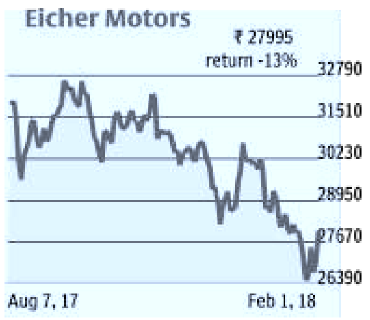
YOGANAND D

BL Research Bureau

Both the bellwether indices, the Nifty and the Sensex, started Thursday in the green, taking positive cues from global markets, ahead of the Budget. They remained in positive territory in the first half of the trading session, but lost their nerve as the Budget presentation turned to the section on taxation proposals.

The implementation of the long-term capital gains (LTCG) tax at 10 per cent on gains over ₹1 lakh triggered a sell-off in the indices: the Nifty slumped below 11,000 and the Sensex below 35,800. However, the sell-off didn't last long and the benchmark indices bounced back into the green, backed by short-covering and buying interest at lower levels.

Eicher Motors ₹27995 return -13%



Witnessing selling pressure at higher levels once again, the indices closed the session in negative zone. The Nifty fell 10 points to close at 11,016, while the Sensex slipped 58 points to finish at 35,906. Both the indices were volatile and formed a 'spinning top candlestick' pattern on the daily chart, indicating indecisiveness in the market.

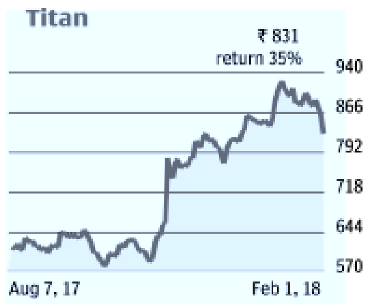
There were some solid gainers in the mid-cap segment, as they reacted to the Budget proposal of a reduction in corporate tax to 25 per cent for companies with turnover up to ₹250 crore. The Nifty Mid 100 index, however, ended the session down 127 point to 20,657. The main gainers were M&M and Eicher Motors, both of which gained more than 4 per cent intra-day on the hope of a pick-up in rural consumption and the higher outlay towards agriculture.

Upmove likely for M&M, Eicher

The M&M stock breached a key medium-term resistance at ₹775, gaining 4 per cent on Thursday to close at ₹797.3 on the BSE. The stock now tests key resistance at ₹800. An emphatic breakthrough beyond that level will take it higher to ₹900 and then on to ₹1,000 in the short to medium term. Key support at ₹775 and ₹750 can provide a base for the stock in the near term.

The next key support is pegged in the band between ₹700 and ₹710.

Titan ₹831 return 35%



After taking support at ₹26,500 last week, the Eicher Motors stock began to move higher. On Thursday, the stock advanced almost 4 per cent with above-average volumes.

The near-term outlook is bullish for the stock. It can extend its rally and test resistances at ₹28,500 and then at ₹30,000 in the short term. A further break above ₹30,000 will strengthen the bullish momentum and push the stock higher to ₹31,000 levels. Supports to note are placed at ₹27,500 and ₹26,500 levels.

There were some solid gainers in the mid-cap segment, as they reacted to the Budget proposal of a reduction in corporate tax to 25 per cent for companies with turnover upto ₹250 crore.

The Titan Company stock fell 4.3 per cent as the Q3 numbers missed estimates, despite the company reporting a 21 per cent increase in net profit. It closed at ₹831, breaching a key support level at ₹860. Moreover, this fall has breached its 21- and 50-day moving averages.

The near-term outlook is bearish for the stock. It can extend its downmove and test supports at ₹800 and ₹750 levels. Significant resistances are at ₹860, ₹900 and ₹930 levels.

POCKET

Market Overview

Turnover	NSE	BSE	MSEI
Cash (₹ cr)	41637.97	5826.73	0.44
Futures (₹ cr)	123573.1	--	--
Options (₹ cr)	2667063.16	--	--
Volume ('000)	1755000	336015	14.845
Trades ('000)	13607.27	1865.26	0.22

Market Snapshot

Adv: 821	Dec: 982	Unch: 50*
Nifty Put/Call ratio	0.82	(0.9)
DII Flow (₹ cr)	5001.78(B)	5360.28(S)
Nifty open interest	2,38,63,500	(2,46,63,000)

* NSE data; Number of Stocks

S&P BSE Index Watch

Index	Open	Close	% Chg
BSE SENSEX	36048.99	35906.66	-0.16
BSE 100	11445.07	11400.03	-0.17
BSE TECK	6833.96	6817.76	-0.20
BSE PSU	9154.11	9003.15	-1.24
BSE BANKEX	30961.25	30788.39	-0.64

NSE Index Watch

Index	Open	Close	% Chg
INDIA VIX	15.93	14.11	-11.44
NIFTY 50	11044.55	11016.9	-0.1
NIFTY 500	9717.3	9687.05	-0.11
NIFTY IT	12965.6	12964.6	-0.17
NIFTY NEXT 50	30605.4	30524.85	0.08

FII Activity

Date	Buy	Sell	Net
Feb 01	7658.46	6558.68	1099.78
Jan 31	7080.10	7344.98	-264.88
Jan 30	6193.86	6161.70	32.16
Jan 29	8805.37	8161.52	643.85
Jan 25	9217.57	7871.36	1346.21

Note: Exchange, NSDL, CDSL data

DII Activity

Date	Buy	Sell	Net
Feb 01	5001.78	5360.28	-358.50
Jan 31	5822.73	4528.07	1294.66
Jan 30	4636.10	4917.75	-281.65
Jan 29	4620.09	4530.01	90.08
Jan 25	6756.82	7722.49	-965.67

Source: Exchange

Company News

Lupin on Thursday said it has received final nod from the US health regulator to market its Clobetasol Propionate cream used for the treatment of various skin conditions. The company has received final approval from the United States Food and Drug Administration (USFDA) to market the company's generic Clobetasol Propionate cream USP 0.05 per cent, Lupin said in a statement. The company's product is a generic version of Fougera Pharmaceuticals Inc's Temovate cream, it added. The cream "is indicated for the relief of inflammatory and pruritic manifestations of corticosteroid responsive dermatoses". Shares of Lupin closed 2.30 per cent lower at ₹863.35 on the BSE.

Godrej Properties has entered into joint ventures with local developers and land-owners to develop three real estate projects in Bengaluru and Noida. The company has entered into a joint venture with Sai Srushti Group to develop a 100-acre land parcel in North Bengaluru, Godrej Properties said in a statement. This will be the company's first plotted development project with about 2.15 million sq ft area. The second project in Bengaluru is a joint venture with the promoters of Lahari Music Group, south India's biggest music group, to develop 17 acres of land, with the possibility of further extending the development to 24 acres. Godrej Properties plans to develop a housing project of about 1.4 million sq ft with an option to further increase it to 2 million sq ft. Shares of Godrej Properties closed at ₹807.45, up 0.67 per cent, on the NSE.

Broker's Call

CHOLA SECURITIES

KVB (Underperformer)

CMP: ₹114.1

Target: ₹90

Karur Vysya Bank's advances, in 3QFY18, showed a moderate growth of 16.6 per cent y-o-y (1.4 per cent q-o-q) to ₹44,800 crore. Growth was predominantly led by Retail (20.9 per cent y-o-y), Agriculture (19.5 per cent y-o-y) and Commercial (18.4 per cent y-o-y) segments. The loan mix was noted at Corporate- 32 per cent, Commercial- 34 per cent, Agriculture & Retail, contributing 17 per cent each. Going forward the management has guided to continue to focus on Retail/SME & Agri segment. Deposits showed muted growth of 3.7 per cent y-o-y (1.3 per cent q-o-q) to ₹57,100 crore, driven by growth in term deposits (7.9 per cent y-o-y). CASA deposits declined by 5.6 per cent y-o-y (although up sequentially by 2.9 per cent), taking CASA ratio to 28.1 per cent from 30.8 per cent in 3QFY17.

Valuation: The stock is currently trading at 1.8x P/BV of FY20E. The reasonable good loan growth and the slight uptrend on margin (y-o-y) paints a positive picture for the bank. Though the weakening asset quality remains a cause of concern, the management sounds confident of improving the same going forward.

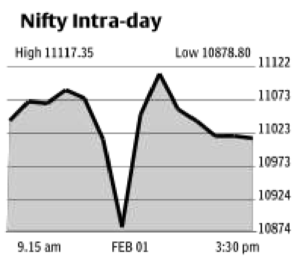
Risks: Slower than expected loan growth, increase in slippages might impact earnings.

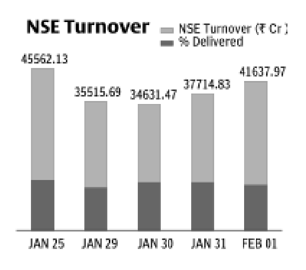
Business Line is not responsible for the recommendations sourced from third party brokerages. Reports may be sent to: blmarketwatch@gmail.com

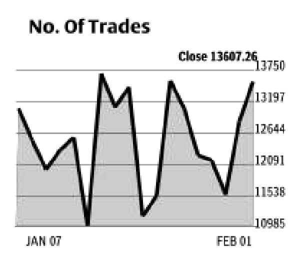
Calendar

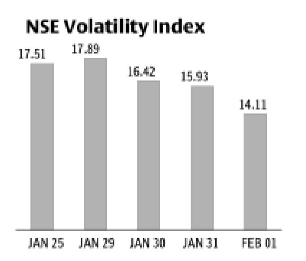
FEBRUARY 02

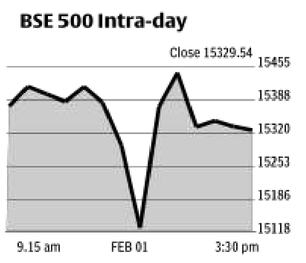
3M India Limited: Results
Accelya Kale Solutions Limited: Results/ Dividend
Aditya Birla Fashion and Retail Limited: Results
Aegis Logistics Limited: Results/Dividend
Aspinwall and Company Limited: Results
Bajaj Auto Limited: Results
Bajaj Holdings & Investment Limited: Results
BSE Limited: Results
CL Educate Limited: Results
Commercial Engineers & Body Builders Co Limited: Results
Dalmia Bharat Sugar and Industries Limited: Results
DFM Foods Limited: Results
Digjam Limited: Results
Electrosteel Castings Limited: Results
Future Lifestyle Fashions Limited: Results
Garden Silk Mills Limited: Results

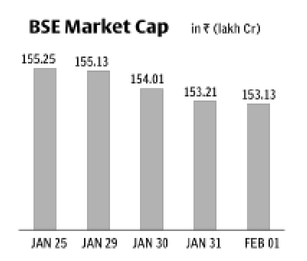












Sector By Sector

	Close	Pr Close	% Change	52wk high	52wk low
Nifty Auto	11693.60	11611.90	0.70	12108.80	9507.95
Nifty Bank	27220.70	27379.45	-0.58	27652.05	20000.35
Nifty Commodities	4090.70	4105.50	-0.36	4232.80	3305.40
Nifty Consumption	5017.05	4986.25	0.62	5153.55	3854.70
Nifty Energy	14263.90	14453.95	-1.31	14662.80	10613.50
Nifty Fin Service	11231.75	11262.15	-0.27	11368.50	8092.80
Nifty FMCG	27351.90	27127.30	0.83	29037.85	22081.20
Nifty Infra	3648.05	3619.50	0.79	3748.90	2946.50
Nifty IT	12964.60	12986.40	-0.17	13553.95	9863.65
Nifty Media	3469.30	3488.90	-0.56	3675.85	2845.35
Nifty Metal	4071.40	4065.85	0.14	4256.40	2829.10
Nifty MID100 Free	20657.40	20785.20	-0.61	21840.85	15769.70
Nifty Midcap 50	5350.05	5353.95	-0.07	5722.50	3989.50
Nifty MNC	14752.00	14751.75	0.00	14987.75	10461.10
Nifty Pharma	9158.70	9384.75	-2.41	10806.80	8314.50
Nifty PSE	4251.30	4288.75	-0.87	4446.50	3693.15
Nifty PSU Bank	3597.10	3681.75	-2.30	4335.20	2928.30
Nifty Realty	341.90	344.70	-0.81	375.15	184.35
Nifty Serv Sector	14654.05	14672.05	-0.12	14867.70	11077.30

Highs & Lows

Name	Pr cl	Close	%
Top Gainers			
Fcs Softw	0.05	0.10	100
Pudumjee	25.80	30.35	17.64
0.01% Cum	7.50	8.80	17.33
8.66% Tax	1110.01	1299.99	17.12
Vinyl Che	106.00	120.85	14.01
TOP LOSERS			
Vakrangee	364.75	291.80	-20
Mahamaya	105.45	84.40	-19.96
Uttam Val	0.30	0.25	-16.67
R M Drip	71.00	64.00	-9.86
Jain Irri	139.95	126.70	-9.47

ALL - TIME HIGH

Name	Pr H/L	H/L	%
8.66% Tax	1250.00	1299.99	4.00
Amber Ent	1299.00	1328.90	2.30
Bajaj Aut	3404.95	3421.20	0.48
Bharat Fi	1068.00	1081.45	1.26
Bond Pa S	1618.99	1633.00	0.87
Chambal F	164.50	164.70	0.12
Escorts I	852.65	882.50	3.50
Gayatri P	212.00	214.70	1.27

Name	H/L	Close	%
Hdfcamc -	9.35	9.46	1.18
Housing D	496.70	500.90	0.85
Iifl Hold	758.00	869.70	14.74
Indusind	1804.00	1817.80	0.76
Infinite	398.00	404.90	1.73
Infobeans	87.20	90.00	3.21
Invesco I	1168.00	1250.00	7.02
Jalan Tra	61.00	63.30	3.77
Mask Inve	71.90	75.45	4.94
Stampede	10.25	10.75	4.88
Sundaram	550.00	1772.40	222.25
ALL - TIME LOW			
Adlabs En	59.40	58.00	-2.36
Alchemist	12.85	12.80	-0.39
Asian Hot	258.15	255.00	-1.22
Balkrishn	81.00	78.50	-3.09
Bombay Ra	71.10	67.55	-4.99
Bse Limit	886.05	851.00	-3.96
Castrol I	182.00	180.65	-0.74
Coral Ind	37.05	36.15	-2.43
Dq Entert	16.90	16.50	-2.37
Empee Dis	48.00	47.50	-1.04

Name	H/L	Close	%
Excel Rea	33.95	32.30	-4.86
Fcs Softw	0.20	0.10	-50.0
Felix Ind	33.00	32.00	-3.03
Flexituff	76.25	75.60	-0.85
General I	752.30	750.00	-0.31
Intense T	91.90	91.05	-0.92
Irb Invit	85.75	85.50	-0.29
Lycos Int	5.90	5.80	-1.69
Metalyst	30.05	29.95	-0.33
Moksh Orn	43.50	42.05	-3.33
Orchid Ph	17.25	17.10	-0.87
Paisalo D	258.00	254.00	-1.55
Praxis Ho	285.00	270.75	-5.00
Rattanind	6.20	6.10	-1.61
Samtel Co	1.50	1.45	-3.33
Sequent S	84.00	81.55	-2.92
Simbhaoli	22.00	21.50	-2.27
Siti Netw	22.80	22.60	-0.88
Srs Limit	1.50	1.45	-3.33
The State	156.00	154.30	-1.09
Value Ind	7.35	7.05	-4.08
Zodiac En	43.25	42.50	-1.73

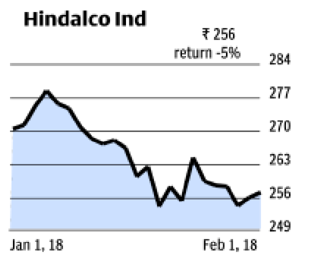
High Delivery Stocks

	Traded Vol '000	Delivered Vol '000	% Delivered	Close	Prev close	% Chg
Indosolar	274	274	100	10.18	10.22	-0.39
Electrosteel	4656	4656	100	4.90	4.71	4.03
Gyscoal	121	121	100	8.58	8.76	-2.05
Shekhawati	111	111	100	0.67	0.65	3.08
Bil Energy	831	831	100	1.95	1.86	4.84
Rtninfra	334	334	100	6.12	6.25	-2.08
Virtual Glo	157	157	100	2.04	2.00	2.00
Khoobsurat	862	862	100	0.48	0.50	-4.00
Kushal	621	621	100	155.65	155.45	0.13
Skfl	172	172	100	4.32	4.24	1.89
Beststeel	129	129	100	158.55	153.05	3.59
Vishal	107	107	100	374.50	374.50	-
Genuspaper	159	159	100	14.85	15.25	-2.62
Qfsl	109	109	100	0.37	0.36	2.78
Lloydsteel	184	184	100	2.35	2.47	-4.86
Danube	280	280	100	4.07	4.15	-1.93

High Volume Stocks

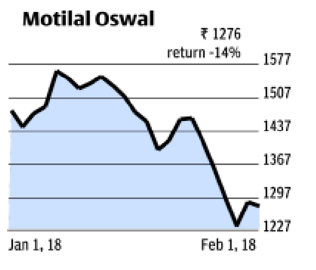
Name	Close (₹)	Volume	20-day Avg Vol	Gain (%)
Polaris	438.25	2069725	290630	612
Monsanto	2612.15	61088	10175	500
Supr.Ind	1363.15	354589	74352	377
Bharat Gea	209.00	486009	102891	372
Aegis Log	274.95	812492	190039	328
Itc	275.30	59362154	14813422	301
Apollo Hsp	1218.55	1036405	264752	291
Zen Exp	52.10	9080	2376	282
M&M	798.75	6896060	1974612	249
Oswal Chem	34.05	685112	198033	246
Citiun Bk	161.30	1729425	520033	233
Jain Irrg	126.70	45014390	13611029	231
Chamb.Frt	154.25	2092165	684552	206
Liberty Sh	229.70	188530	63802	195
Titan	831.00	6097492	2066216	195

What to Watch



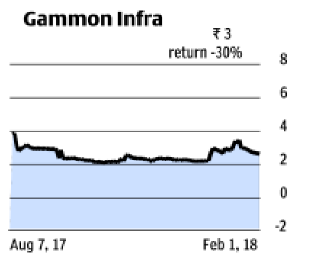
BSE, Hindalco, Tata Global results

About 60 companies including 3M India, AB Fashion, Accelya Kale Solutions, Bajaj Auto, Bajaj Holdings, BSE, CL Educate, Dalmia Bharat, Digjam, Future Lifestyle, Garden Silk, Glaxo Pharma, Godrej Properties, Gujarat Gas, Graphite, Hindalco, Indian Energy, Info Edge, Inox Wind, Jindal Drilling, Orbit Exports, Neuland Labs, RatanIndia Infra, RPG Life, Sintex Plastics, Tata Global, Tata Tele, TTK Healthcare and United Breweries will declare their Q3 results on Friday.



Will broking firms beat LTCG blues?

Shares of broking companies such as Motilal Oswal, Geojit, Religare Enterprises, and Aditya Birla Money will remain in focus on the re-introduction of long-term capital gains tax. Presenting Budget 2019, Finance Minister Arun Jaitley announced an LTCG tax of 10 per cent on stock market gains exceeding ₹1 lakh. Analysts said though it was a knee-jerk reaction, LTCG will not deter investors from entering the market, as it is still the only real investment opportunity available.



Order win may boost Gammon Infrastructure

Gammon Infrastructure Projects in consortium with Gammon Engineers and Contractors Private Ltd has received a letter of award from the National Highways Authority of India for the rehabilitation and upgradation of road project in Odisha. The project has been awarded by the NHAI on a bid price of ₹577 crore. The construction period of the project is 910 days and the company has 40 per cent share in the consortium. Investors will closely monitor the execution.

NSE Circuit Breakers

Name	Pr cl	Close	%
UPPER			
5Paisa Ca	290.20	304.70	10
Agri-Tech	106.10	116.70	5
Alankit L	63.15	66.20	5
Apex Froz	627.40	658.75	5
Apollo Si	1390.50	1396.50	10
Asian Hot	264.30	271.05	20
Bhansali	169.45	176.95	5
Blue Coas	125.40	131.65	5
D B Realt	61.10	61.95	10
Diligent	8.80	9.20	10
Ducon Inf	40.65	40.05	10
Ester Ind	73.35	72.15	10
Fineotex	68.15	71.55	10
Fcs Softw	0.05	0.10	20
Gemini Co	1.20	1.25	5
Hb Stockh	49.50	51.95	10
Impex Fer	1.10	1.15	20
Kaushalya	3.50	3.35	10
Khaitan (	47.80	47.50	5
Magnum Ve	13.00	13.50	10
Mirc Elec	53.00	53.75	10
Nitin Fir	6.25	6.20	10

Name	Pr cl	Close	%
Paramount	13.20	13.85	5
Pudumjee	25.80	30.35	20
Prajay En	15.40	16.00	10
Prakash C	7.20	7.50	10
Pvp Ventu	7.95	8.00	10
Rajvir In	44.80	44.15	5
Refex Ind	19.25	20.20	10
Rohit Fer	4.65	5.10	5
Stampede	10.25	10.75	5
Shah Allo	21.10	20.90	10
Supreme T	2.45	2.55	10
Uttam Val	0.30	0.25	5
Visagar P	1.25	1.30	5
Zenith Bi	0.90	0.95	20
LOWER			
Bombay Ra	71.10	67.55	10
Bsl Ltd	93.50	90.55	20
Bs Limite	1.40	1.40	5
Cambridge	84.95	84.50	2
Ester Ind	73.35	72.15	10
Fact Ltd	63.35	57.50	5
Graphite	758.60	720.70	10

Name	Pr cl	Close	%
Gujarat N	1.25	1.20	10
Guj Nre D	1.25	1.25	10
Heg Ltd	2715.10	2579.35	5
Hind Synt	14.10	13.40	5
Kaushalya	3.50	3.35	10
Khaitan (	47.80	47.50	5
Madras Fe	46.00	42.65	20
Mahamaya	105.45	84.40	20
Naga Dhun	1537.40	1460.90	10
Ndtv Ltd	42.55	41.90	5
Nu Tek In	1.30	1.25	5
Religare	43.20	41.05	10
Stampede	10.25	10.75	5
Srs Limit	1.50	1.45	10
Supreme T	2.45	2.55	10
Surana In	3.75	3.65	10
Thangamay	569.40	556.85	5
Uttam Val	0.30	0.25	5
Vakrangee	364.75	291.80	20
Winsome Y	2.25	2.20	2
Zodiac Jr	47.55	45.70	5

Note: % denotes circuit limit

BSE Circuit Breakers

Name	Pr H/L	H/L	%
UPPER			
Agri Tech	106.05	116.65	10
Fineotex	68.00	71.40	5
Apex	632.20	663.80	5
5Paisa	292.45	307.05	5
Starlit	16.05	16.85	5
Paramount	13.30	13.96	5
Alankit	62.95	66.05	5

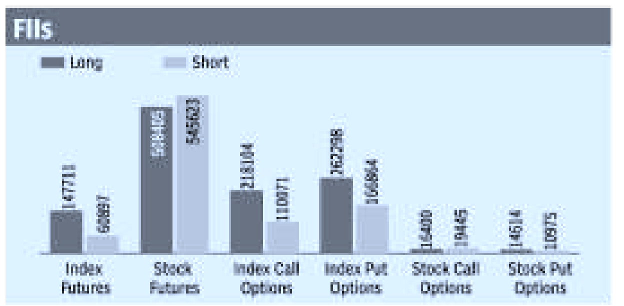
Name	Pr H/L	H/L	%
Khaitan I	48.80	51.20	5
Scapdvr	10.36	10.87	5
Hb Stockh	48.95	51.35	5
Prajay En	15.45	16.20	5
Supreme T	2.48	2.60	5
Rajdarshan	19.95	20.90	5
Visagar P	1.27	1.33	5
Zenith Bi	0.67	0.70	4

Name	Pr H/L	H/L	%
Funny	9.21	9.39	2
LOWER			
Maha Steel	107.55	86.05	-20
Heg Limit	2718.90	2583.00	-5
Graphite	759.75	721.80	-5
Sunstar R	14.10	13.40	-5
Bombay Ra	71.95	68.40	-5
Chemtech	21.65	20.60	-5

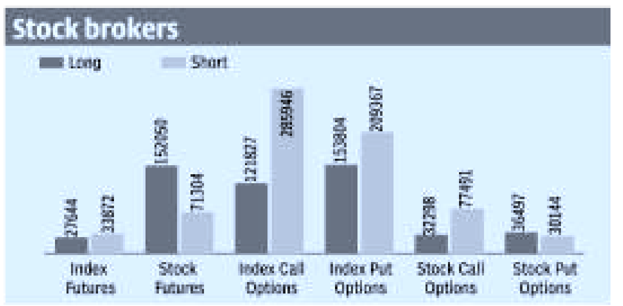
The Long & Short of it

FIIs add more short positions in index call options, signalling limited downside

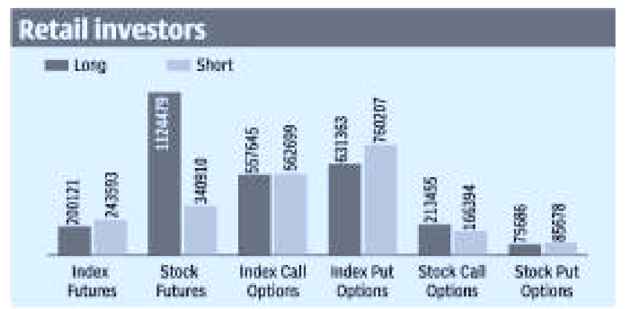
FIIs



Stock brokers



Retail investors



Future OI Gainers

Company	Open Interest Volume	Open Interest %Chg	Futures Price	Futures %Chg
ESCORTS	3545300	21.21	874.25	7.06
CEATLTD	1154650	17.74	1894.40	3.54
IDBI	33680000	12.83	64.00	5.61
BEL	30977100	12.37	160.85	-4.40
Apollo Tyre	11634000	10.61	263.85	3.11
Apollo Hosp	762500	10.27	1204.75	3.23
Canara Bank	12857600	8.96	330.60	-3.70
Dish TV	49959000	8.23	77.75	3.19
ICICIPRULI	4999800	7.82	426.90	4.53
PAGEIND	43550	7.13	21391.20	-0.97

Future OI Losers

Company	Open Interest Volume	Open Interest %Chg	Futures Price	Futures %Chg
Jain Irrigation	43650000	-19.46	126.40	-10.04
TORNTPharma	307500	-9.82	1344.75	-1.07
MANAPPURAM	29448000	-9.36	115.30	3.97
FORTIS	55086500	-8.64	132.85	-4.87
MINDTree	1729200	-7.92	757.30	-1.67
PIDILITIND	1343000	-7.44	897.65	-0.02
EICHERMOT	256225	-6.96	28076.10	3.84
RAMCOCEM	368000	-6.69	759.55	-0.50
TATAELXSI	1659200	-6.45	1026.80	-3.55
Havells	5588000	-6.05	526.25	0.35

Who Moved My Nifty 50 ▼ 10.80 pts.

	Price	Days Chg	Pts	Volume	PE	Mkt-cap (₹ Cr.)
L&T	1455.60	39.10	12.49	8187730	52.18	179462.06
M&M	798.75	35.70	8.63	6896060	25.24	74475.00
ITC	275.30	3.90	8.62	59362154	30.62	234878.96
IndusInd Bank	1795.45	42.35	5.59	3720115	31.61	91471.44
HDFC	1967.55	11.25	4.66	3838192	42.45	314229.94
Kotak Bank	1120.95	12.00	4.15	3856283	54.23	149432.82
Eicher Motors	28047.35	1123.75	3.89	125564	42.26	37431.96
TCS	3138.60	26.25	3.39	1200315	24.71	156212.76
Bajaj Finance	1729.45	51.60	3.16	1939812	46.08	40879.37
Asian Paints	1153.00	24.70	2.89	1103162	59.97	51979.89
Bajaj Auto	3412.95	75.80	2.67	439064	26.25	46416.97
YES Bank	359.90	5.50	2.62	15217926	20.89	66152.68
Hero MotoCorp	3732.95	41.50	1.40	346581	21.83	48457.26
GAIL (India)	486.25	7.65	1.27	4610450	22.98	31251.05
Ambuja Cements	266.45	4.65	0.89	3355964	48.67	19575.78
UPL	758.85	6.80	0.65	2563374	100.10	27775.19
PowerGrid Corp	194.85	1.05	0.60	9578382	12.68	42813.76
Vedanta	341.45	1.10	0.53	15344365	9.87	63461.80
Hind Unilever	1371.25	1.90	0.35	1563429	58.56	97945.36
Bosch	19517.85	117.60	0.28	14331	45.43	17870.98
UltraTech Cement	4391.45	9.45	0.26	268309	49.58	45815.88
Zee Entertainment	594.95	1.25	0.18	1806045	36.85	32571.05
Indian OilCorp	417.90	0.30	0.08	5851539	12.71	42614.94
Hindalco	256.25	0.10	0.04	8940788	38.20	37391.43
Adani Ports	428.75	-0.10	-0.02	1681704	33.68	32853.06
HCL Tech	984.90	-1.65	-0.24	1527829	18.93	54844.14
Tech Mahindra	611.05	-1.60	-0.26	2479739	16.53	38211.33
Axis Bank	592.80	-0.80	-0.33	7839731	41.20	94240.34
BPCL	490.35	-1.95	-0.39	3649443	14.74	38292.95
Bharti Airtel	438.40	-1.45	-0.50	7297226	0.00	57831.19
Cipla	587.05	-5.10	-0.67	1050098	39.63	29770.20
Bharti Infratel	346.85	-4.70	-0.95	3045857	26.69	26944.54
NTPC	169.05	-1.20	-0.95	9187297	14.68	51574.14
HPCL	392.35	-5.35	-1.04	4927698	9.85	29295.72
Indiabulls HFL	1377.45	-13.50	-1.13	2027712	17.08	44589.28
Wipro	300.75	-3.95	-1.16	2202328	16.23	34009.94
Coal India	295.60	-3.95	-1.33	4533542	13.54	38533.11
Aurobindo Pharma	611.20	-18.35	-1.34	2665368	18.56	17188.38
Lupin	860.40	-23.35	-1.45	1834018	18.07	20609.93
Tata Steel	696.75	-8.30	-1.67	7403931	17.76	54162.64
Dr Reddys Lab	2157.95	-67.40	-2.12	968321	58.37	26132.28
Tata Motors	393.65	-5.85	-2.80	7259426	0.00	72742.71
Infosys	1144.60	-5.65	-2.93	6502727	15.88	228735.05
Maurti Suzuki	9401.85	-107.85	-3.72	550971	31.19	124964.90
ONGC	194.90	-8.55	-6.26	10015459	14.12	55026.35
State Bank	306.05	-7.20	-6.93	19515991	29.32	113599.12
Sun Pharma	554.30	-25.60	-7.32	8789899	0.00	61177.11
HDFC Bank	1991.15	-14.55	-7.71	1630355	30.90	407104.69
ICICI Bank	346.20	-6.75	-11.23	29472295	25.93	222321.07
Reliance Ind	943.85	-17.45	-15.59	7554587	18.57	325409.97

Note: free-float market- cap

Who Moved My Nifty Next 50 ▲ 24.55 pts.

	Price	Days Chg	Pts	Volume	PE	Mkt-cap (₹ Cr.)
Bajaj Finserv	5038.40	226.05	56.24	350858	604.89	30467.88
JSW Steel	302.65	12.70	54.31	8031105	23.70	31457.59
Mrf Ltd.	71776.65	3663.30	37.08	29028	31.02	17656.07
I-Prulife	424.90	18.20	20.42	3525925	0.00	11588.68
Britannia Ind	4740.50	56.35	13.64	148844	66.06	27887.88
Shree Cement	17453.05	246.75	12.38	20836	47.15	21280.55
ABB India	1700.45	47.25	10.30	200484	91.59	9008.49
Siemens	1323.75	21.90	8.02	305415	41.61	11785.35
ACC	1737.00	21.75	7.56	300979	42.96	14678.38
Tata Power	89.70	0.70	5.22	9055967	0.00	16255.42
NMDC	141.70	1.40	5.10	4339124	15.35	12553.05
Colgate	1130.45	9.10	4.99	120516	52.62	15065.84
Emami	1142.10	17.35	4.37	131864	79.04	6998.93
United Spirits	3302.80	17.20	4.01	761358	194.72	18719.55
GSK Consumer	6716.80	74.15	3.59	8517	44.35	7909.40
Havells	525.40	3.05	2.98	1727081	56.49	12481.21
Marico	310.70	1.30	2.76	853132	50.96	16041.70
Oracle Fin	4207.95	25.30	2.31	52194	31.79	9336.05
Piramal Ent	2749.15	6.15	2.19	248875	174.07	23792.33
SAIL	89.35	0.45	1.91	13593547	0.00	9226.56
PidilitInd	899.00	2.70	1.71	970796	58.50	13830.49
BHEL	100.35	0.15	0.84	10520230	72.91	13631.72
Power Finance	117.00	0.20	0.74	6983235	5.90	10502.24
IntGlobeAvi	1216.80	1.85	0.70	544967	18.23	11223.17
Shriram Trans Fin	1380.05	0.30	0.18	721851	22.00	20039.01
Godrej Consumer	1053.30	-0.10	-0.10	550552	80.62	26552.84
GSK Pharma	2459.15	-1.45	-0.13	8351	64.61	5207.44
Cummins Inida	903.05	-0.85	-0.48	411736	34.22	12265.95
Proc & Gam	9259.25	-12.45	-0.48	2157	67.72	8716.30
Oil India	357.90	-1.05	-0.78	659151	17.25	6498.91
Container Corp	1387.30	-3.00	-1.35	419912	30.99	15214.93
Avenue Supermarts Ltd.	1174.30	-5.35	-1.51	477292	102.61	8061.49
Torrent Pharma	1354.90	-7.50	-1.51	288717	38.86	6649.12
Hindus Zinc	307.95	-2.30	-2.40	1511270	13.40	7807.12
NHPC	29.15	-0.30	-2.66	7469641	13.21	6280.24
LIC Hsg Fin	531.85	-3.10	-3.86	2716764	13.56	16104.30
Sun TV Network	1012.40	-12.00	-4.86	651336	39.41	9974.28
Rural Elec	153.45	-2.05	-6.83	6096903	5.42	12425.10
Petronet LNG	252.10	-2.65	-8.18	3358587	19.96	18907.50
Cadila Health	417.65	-8.15	-8.58	1318106	40.09	10689.15
DLF	245.00	-5.10	-9.36	10509963	82.71	10927.37
Motherson	362.75	-3.05	-9.77	2832380	80.53	28256.67
Idea Cellular	91.30	-1.80	-10.15	9783796	0.00	12515.47
Glenmark	588.15	-18.05	-11.11	780428	9.95	8795.73
Dabur India	349.70	-5.90	-13.68	2438075	62.59	19712.12
Ashok Leyland	123.35	-2.75	-16.23	15946691	32.60	17691.86
Punjab Natl Bank	167.55	-3.80	-16.31	15801115	29.60	17475.51
Bank of Baroda	152.35	-4.45	-17.30	12039264	36.33	14392.59
Bharat Elec	161.55	-7.80	-25.23	13787038	23.31	12701.66
Titan	831.00	-38.55	-66.18	6097492	71.53	34674.26

Note: free-float market- cap

The Under 50s

	Close₹	Prev.Close₹	Change%	Volume	52wH₹	52wL₹
Fcs Software Soln. Ltd.	0.10	0.05	100.00	458035	0.40	0.05
Pudumjee Paper Pro. Ltd	30.35	25.80	17.64	1034421	34.10	18.10
Nakoda Limited	0.50	0.45	11.11	194444	0.60	0.25
Rohit Ferro-Tech Limited	5.10	4.65	9.68	290696	8.95	4.15
Zicom Elect Sec Sys Ltd	26.65	24.40	9.22	1641056	49.00	19.15
Goenka Diamond&Jewels Ltd	0.60	0.55	9.09	710286	0.85	0.20
Avt Natural Products Ltd	49.75	45.80	8.62	448402	62.25	33.65
Raj Rayon Industries Ltd	0.65	0.60	8.33	492729	0.85	0.10
Sicagen India Limited	49.40	45.65	8.21	217913	64.00	23.20
Moksh Ornaments Limited	47.05	43.50	8.16	114000	62.45	42.05
Shekhawati Poly-Yarn Ltd.	0.70	0.65	7.69	236828	0.90	0.20
Sri Adhikari Bros.	25.50	24.30	4.94	317282	300.00	13.55
Stampede Capital Limited	10.75	10.25	4.88	189255	10.75	2.60
Gvk Pow. & Infra Ltd.	21.70	20.70	4.83	5226269	27.85	5.00
Tv Vision Limited	20.90	19.95	4.76	102916	307.00	15.00
Hindustan Motors Limited	9.05	8.65	4.62	320084	14.80	6.70
Gmr Infrastructure Ltd.	22.75	21.75	4.60	104502685	25.05	12.55
Icsa (India) Limited	4.70	4.50	4.44	251700	6.70	2.30
Prakash Constrowell Ltd	7.50	7.20	4.17	888070	10.65	3.15
Supreme Tex Mart Limited	2.55	2.45	4.08	436261	5.30	1.80
Sanwaria Consumer Limited	24.35	23.40	4.06	2457991	34.40	6.50
Sterling Biotech Ltd	3.85	3.70	4.05	318735	6.80	3.10
Visagar Polytex Ltd	1.30	1.25	4.00	242694	2.80	0.75
Prajay Eng. Syn. Ltd.	16.00	15.40	3.90	190948	20.30	7.50
Castex Technologies Ltd.	5.55	5.35	3.74	468426	9.95	4.75
Ksk Energy Ventures Ltd	15.75	15.25	3.28	1201634	20.60	6.20
Mercator Limited	40.75	39.50	3.16	2241447	55.25	32.70
Oswal Chem. & Fert. Ltd.	34.05	33.05	3.03	685112	44.00	21.50
Aksh Optifibre Ltd	39.85	38.70	2.97	1559954	46.35	16.90
Bil Energy Systems Ltd	1.75	1.70	2.94	117746	1.95	0.60
Sanco Industries Limited	45.45	44.25	2.71	204373	145.00	36.10
Burnpur Cement Ltd.	12.35	12.05	2.49	133767	17.00	7.20
Electrosteel Castings Ltd	34.75	33.95	2.36	372380	44.55	23.00
Pincon Spirit Ltd	36.15	35.35	2.26	228493	79.50	28.55
Sjvn Ltd	35.10	34.35	2.18	791988	40.15	29.75
Vikas Ecotech Limited	40.65	39.80	2.14	7658440	48.50	15.90
Trans & Recti. Ltd	36.40	35.65	2.10	268174	475.90	29.20
Electrosteel Steels Ltd	4.90	4.80	2.08	6616225	7.20	3.60
Moser-Baer - Depo Sett	4.95	4.85	2.06	258195	8.30	3.95
Peninsula Land Limited	33.70	33.10	1.81	793849	44.00	14.60
Dcw Ltd	40.00	39.30	1.78	250877	55.45	28.95
Garden Silk Mills Ltd	41.00	40.30	1.74	162851	53.30	28.10
Orient Paper And Inds Ltd	47.85	47.15	1.48	515228	181.90	46.10
Uttam Galva Steels Ltd	21.30	21.00	1.43	402241	36.70	20.05
Pnb Gilts Limited	43.60	43.10	1.16	290052	64.70	41.20
Il&Fs Investment Managers	23.40	23.15	1.08	848205	35.25	13.50
Steel Exchange India Ltd	33.10	32.75	1.07	114173	133.55	31.80
Madhucon Projects Ltd.	32.10	31.80	0.94	262621	65.40	24.70
Zee Media Corporation Ltd	43.85	43.45	0.92	471119	49.90	32.80
Gss Infotech Limited	35.15	34.85	0.86	101435	40.25	18.75

Positive Trend

Company	Spot Price	Future Price	% Diff
IFCI	28.15	28.40	0.89
MFSL	540.70	544.80	0.76
EQUITAS	150.90	151.95	0.70
Adani Power	36.75	37.00	0.68
GMR Infra	22.75	22.90	0.66
TVSMotor	671.20	675.50	0.64
HCC	39.45	39.70	0.63
DALMIABHA	2972.00	2990.40	0.62
KPIT	208.70	210.00	0.62
Ashok Leyland	123.35	124.10	0.61

Negative Trend

Company	Spot Price	Future Price	% Diff
IOC	417.90	400.05	-4.27
Rural Elec	153.45	147.40	-3.94
NHPC	29.15	28.05	-3.77
NATIONALUM	74.60	72.05	-3.42
OIL	357.90	348.60	-2.60
Coal India	295.60	288.90	-2.27
BPCL	490.35	479.45	-2.22
IndusInd Bank	1795.45	1769.40	-1.45
NTPC	169.05	166.65	-1.42
Hero MotoCo	3732.95	3689.65	-1.16

High Volatile Counters

(in ₹)

	Stock Close	Prev Close	Futures Close	Prev Close	Volatility (%)*
Reliance Com	28.60	29.45	28.75	29.65	1.4051
INDIAVIX	1410.75	1593.00	1417.00	1598.50	1.0180
RNAVAL	44.15	46.00	44.35	46.30	0.9537
JP Associates	20.40	20.30	20.50	20.40	0.8300
JUSTDIAL	512.15	516.10	515.25	518.80	0.8057
Reliance Power	44.20	45.75	44.40	46.00	0.7823
Jain Irrigation	126.70	139.95	126.40	140.50	0.7290
Jindal Steel	265.95	266.45	267.10	267.90	0.7065
GMR Infra	22.75	21.75	22.90	21.80	0.6987
IFCI	28.15	28.50	28.40	28.65	0.6860
FORTIS	132.60	139.05	132.85	139.65	0.6650
NIITTECH	835.10	856.15	840.05	860.85	0.6552
WOCKPHARMA	780.30	804.85	779.60	805.05	0.6485
Punjab Natl Bank	167.55	171.35	167.65	172.20	0.6435
PCJEWELLER	484.30	485.35	486.35	488.55	0.6396

* Annualised

FII Derivative Statistics

	Buy Contracts	Buy Amt in ₹ Cr.	Sell Contracts	Sell Amt in ₹ Cr.	Open Interest Contracts	Open Interest Amt in ₹ Cr.
Index Futures	53515	4789.12	54612	4957.67	208608	17628.80
Index Options	2036325	192960.51	2048577	193674.63	757337	63942.79
Stock Futures	198975	14985.97	190139	14233.13	1054028	78870.86
Stock Options	147206	11781.43	147702	11826.86	61434	4728.28

Active Nifty Calls

Expiry Date	Strike Price	LTP	Vol(Contracts)	Turnover* (₹ Lakhs)	Open Interest
22-Feb-18	11200	62.00	360396	3048171.70	3123975
22-Feb-18	11300	36.25	339671	2890802.31	3024150
22-Feb-18	11500	12.00	316971	2737911.50	6124275
22-Feb-18	11100	100.75	292104	2457108.74	2908500
22-Feb-18	11400	19.55	271913	2330619.35	3531600
22-Feb-18	11000	150.90	175798	1471518.92	3025350
22-Feb-18	11600	7.20	93958	818117.44	1711875
22-Feb-18	12000	2.60	74236	668288.80	4575675
22-Feb-18	11700	4.55	52999	465300.75	1255050
22-Feb-18	11800	3.35	43691	386802.32	1203375

* Notional Turnover

Active Stock Calls

Company	Expiry Date	Strike Price	LTP	Vol (Contract)	Open Interest
ITC	22-Feb-18	300	2.10	9300	10000800
ITC	22-Feb-18	290	3.25	8477	4281600
ITC	22-Feb-18	280	5.90	8185	2764800
Reliance Ind	22-Feb-18	1000	7.95	5970	2801000
Reliance Ind	22-Feb-18	980	12.10	5888	1671000
L&T	22-Feb-18	1500	18.25	4887	672750
Maruti Suzuki	22-Feb-18	10000	49.00	4421	255975
ICICI Bank	22-Feb-18	360	5.10	4246	2367750
ITC	22-Feb-18	310	1.45	3741	2304000
Reliance Ind	22-Feb-18	960	18.80	3549	1436000

Active Nifty Puts

Expiry Date	Strike Price	LTP	Vol(Contracts)	Turnover* (₹ Lakhs)	Open Interest
22-Feb-18	11000	119.00	334265	2790470.13	4408575
22-Feb-18	10800	58.00	316793	2583106.36	3728475
22-Feb-18	10900	83.00	284957	2350587.50	3212175
22-Feb-18	10700	39.50	235095	1895665.02	4020825
22-Feb-18	10600	27.60	189466	1511213.97	2973900
22-Feb-18	10500	19.85	183771	1450913.85	5924175
22-Feb-18	11100	165.65	111764	945009.61	1222050
22-Feb-18	10000	6.15	63154	473971.88	3506175
22-Feb-18	10400	14.00	61316	479140.85	1835775
22-Feb-18	10300	10.50	46972	363380.79	1396650

* Notional Turnover

Active Stock Puts

Company	Expiry Date	Strike Price	LTP	Vol(Contract)	Open Interest
ITC	22-Feb-18	270	4.05	4087	1629600
ITC	22-Feb-18	280	9.20	2847	1497600
ITC	22-Feb-18	260	1.85	2835	1560000
Reliance Ind	22-Feb-18	940	17.45	2588	689000
ITC	22-Feb-18	250	1.00	2563	2145600
ICICI Bank	22-Feb-18	340	7.80	2467	1430000
ICICI Bank	22-Feb-18	350	12.30	2422	2255000
ITC	22-Feb-18	275	6.00	2204	1272000
ICICI Bank	22-Feb-18	330	4.85	2201	9680000
Maruti Suzuki	22-Feb-18	9000	48.55	2117	90000

Insider Info

Company	Transation Date	Qty
Equity		
Max Financial Servi		
MaxVenturesInvestm(P)	29-01-2018	2617581
Bhagyanagar India		
Narender Surana(S)	01-01-2018	14410
Narender Surana(B)	01-01-2018	4971
Narender Surana(B)	30-01-2018	852171
Gulabchand Mangilal (S)	30-01-2018	1704949
Adani Enterprises		
Gautam S Adani / Raj(R)	30-01-2018	9753000
Gautam S Adani / Raj(P)	30-01-2018	12094000
Sun Pharmaceutical		
Raksha Valia(R)	29-01-2018	1710000
Everest Organics		
Sri Kakarlapudi Hari(S)	25-01-2018	2284
Kisan Mouldings -$		
Amita Aggarwal(S)	30-01-2018	27150
Lovable Lingerie		
L Vinay Reddy(S)	30-01-2018	1004045
Shobha Jaipal Reddy(S)	30-01-2018	432057
Prashant Reddy(S)	30-01-2018	319998
Taruna Vinay Reddy(S)	30-01-2018	46928
Lattupalli Vinay Red(S)	30-01-2018	21745
Lattupalli Veena Red(S)	30-01-2018	18614
Gajanan Securities		
VinayKumar Agarwal(B)	31-01-2018	127100
Adani Transmission		
Gautam S Adani / Raj(R)	30-01-2018	5534000
Gautam S Adani / Raj(P)	30-01-2018	8595000
Newgen Software Tec		
Kapil Bansal(S)	29-01-2018	4620
Halayur Nagaraj Srih(S)	30-01-2018	8000
Alok K Gupta(S)	29-01-2018	3870

(B) - Acquier, (S) - Seller, (P) - Pledge
(R) - Revoke, (I) - Invoke

STOCKS

Index Stocks

Company	Prev	Close	Open	High	Low	Qty	52 W High	52 W Low	PE	BSE Close
Adani Ports [2]	428.85	428.75	431.00	433.00	414.45	1681.70	451.55	291.75	33	428.35
Ambuja Cem [2]	261.80	266.45	263.40	269.50	260.90	3355.96	291.30	223.25	49	264.85
Asian Paints [1]	1128.30	1153.00	1126.00	1157.35	1126.00	1103.16	1261.25	954.00	60	1152.45
Auro Pharma [1]	629.55	611.20	628.60	631.35	605.00	2665.37	808.95	504.00	18	612.80
Axis Bank [2]	593.60	592.80	593.60	610.00	586.10	7839.73	627.50	447.80	41	590.20
Bajaj Auto	3337.15	3412.95	3340.00	3421.20	3290.00	439.06	3402.40	2695.00	26	3409.50
BajajFin [2]	1677.85	1729.45	1681.80	1760.00	1644.75	1939.81	1989.00	1020.00	46	1731.50
BharInfratel	351.55	346.85	352.00	354.00	343.50	3045.86	481.90	283.10	27	346.20
Bharti Air [5]	439.85	438.40	440.05	447.00	430.10	7297.23	565.00	325.50	116	438.05
BOSCH Ltd	19400.25	19517.85	19475.00	19619.00	19300.00	14.33	25245.20	18602.00	45	19481.85
BPCL	492.30	490.35	491.10	493.90	481.45	3649.44	550.00	400.17	15	490.15
Cipla [2]	592.15	587.05	591.90	597.00	580.20	1050.10	663.00	479.00	40	586.75
Coal India	299.55	295.60	300.10	301.15	290.95	4533.54	332.10	234.00	14	295.80
Dr Reddy [5]	2225.35	2157.95	2225.00	2225.00	2153.10	968.32	3175.00	1901.65	58	2156.95
Eicher Motor	26923.60	28047.35	26984.00	28300.00	26714.50	125.56	33483.95	22406.00	42	27995.35
GAIL	478.60	486.25	478.00	495.80	478.00	4610.45	518.00	347.00	22	486.15
HCL Tech [2]	986.55	984.90	982.10	1014.95	969.00	1527.83	1041.50	778.05	19	985.65
HDFC [2]	1956.30	1967.55	1963.00	1975.30	1931.80	3838.19	1982.00	1353.00	38	1967.55
HDFC Bank [2]	2005.70	1991.15	2006.00	2015.00	1985.30	1630.36	2011.90	1278.00	31	1992.25
HeroMoto [2]	3691.45	3732.95	3695.15	3744.00	3692.50	346.58	4200.00	3054.00	22	3734.40
Hindalco [1]	256.15	256.25	257.80	259.50	248.75	8940.79	283.95	179.25	35	256.95
HPCL	397.70	392.35	397.30	409.80	390.20	4927.70	493.00	327.33	10	392.40
HUL [1]	1369.35	1371.25	1373.00	1384.80	1351.00	1563.43	1410.65	839.00	59	1371.35
ICICI Bank [2]	352.95	346.20	347.55	355.90	343.80	29472.30	365.65	238.91	26	345.75
IndiabullHSG [2]	1390.95	1377.45	1389.00	1412.85	1313.05	2027.71	1439.40	748.00	17	1376.90
IndusInd BK	1753.10	1795.45	1754.00	1817.80	1733.85	3720.12	1818.00	1239.00	32	1797.00
Infosys [5]	1150.25	1144.60	1142.20	1157.90	1118.55	6502.73	1220.00	861.50	15	1144.50
IOC	417.60	417.90	419.60	422.20	410.40	5851.54	462.60	351.00	13	416.55
ITC [1]	271.40	275.30	272.00	290.30	267.40	59362.15	353.20	250.35	31	275.35
Kot.Mah.Bk [5]	1108.95	1120.95	1105.10	1131.00	1105.10	3856.28	1128.70	739.15	54	1120.30
L&T [2]	1416.50	1455.60	1458.90	1470.00	1405.20	8187.73	1441.00	951.30	47	1455.80
Lupin [2]	883.75	860.40	883.95	886.25	852.20	1834.02	1572.25	807.00	18	863.35
M&M [5]	763.05	798.75	768.90	802.55	763.00	6896.06	785.58	612.50	28	797.35
Maruti [5]	9509.70	9401.85	9545.00	9563.70	9312.00	550.97	10000.00	5804.40	38	9402.95
NTPC	170.25	169.05	169.25	169.80	167.40	9187.30	187.95	153.30	14	169.00
ONGC [5]	203.45	194.90	204.05	207.05	194.00	10015.46	212.90	155.30	14	195.10
PowerGrid	193.80	194.85	194.50	195.15	189.00	9578.38	226.40	188.05	13	194.95
Reliance	961.30	943.85	963.25	972.60	936.60	7554.59	990.00	511.00	18	944.10
SBI [1]	313.25	306.05	316.90	317.40	305.00	19515.99	351.50	241.25	145	305.55
Sun Pharma [1]	579.90	554.30	580.00	580.00	549.55	8789.90	728.45	433.15	-	556.25
Tata Motors [2]	399.50	393.65	399.90	403.80	390.55	7259.43	544.80	357.95	-	394.65
Tata Steel	705.05	696.75	708.00	712.75	681.60	7403.93	755.12	408.02	15	696.30
TCS [1]	3112.35	3138.60	3124.00	3190.00	3088.80	1200.32	3254.80	2154.30	25	3138.90
Tech Mahindra [5]	612.65	611.05	612.55	619.50	607.05	2479.74	626.00	357.60	17	610.55
UltraTech	4382.00	4391.45	4382.00	4425.00	4347.65	268.31	4594.30	3634.60	49	4389.40
UPL [2]	752.05	758.85	752.05	772.00	735.30	2563.37	902.00	680.95	66	758.70
Vedanta Ltd [1]	340.35	341.45	340.00	346.20	329.80	15344.37	355.70	217.95	14	341.10
Wipro [2]	304.70	300.75	305.05	309.10	300.00	2202.33	334.75	222.78	16	301.25
YES Bank [2]	354.40	359.90	355.00	367.25	352.65	15217.93	383.25	275.15	21	359.15
Zee Ent [1]	593.70	594.95	599.50	600.45	585.50	1806.05	619.35	477.25	38	595.10

Sensex

58

0.16%

Markets end in red on LTCG proposal

Mumbai, February 1

Benchmark Sensex ended over 58 points lower in highly volatile trade on Thursday as markets gave a thumbs down to Budget proposals such as long-term capital gains tax on equities.

The 30-share index had plunged over 460 points in afternoon trade after Finance Minister Arun Jaitley announced long-term capital gains tax of 10 per cent on stock market gains exceeding ₹1 lakh.

Among the shares that bucked the trend, food processing companies were in demand after the Budget proposed doubling the allocation for the sector to ₹1,400 crore for the next fiscal. Major gainers were Sheetal Cool, Avanti Feeds, Godrej Agrovet and Freshtrop Fruits, rising up to 10 per cent. PTI

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
20 Micron [5]	52.75	52.15	53.00	53.00	50.50	53.47	68.00	33.25	17	52.55
3i Info	6.15	5.90	6.25	6.30	5.90	7116.05	9.27	3.60	-	5.97
3m India	18796.15	19282.05	18995.00	19487.00	18775.00	2.61	20097.00	10750.00	84	19206.95
5PaisaCap	290.20	304.70	287.00	304.70	287.00	8.46	650.00	241.00	-	307.05
63MoonsTec [2]	104.80	103.45	105.65	109.00	100.70	324.92	166.00	53.80	7	103.85
8K Miles [5]	736.85	718.15	741.35	744.00	702.00	164.69	1024.00	364.75	624	720.25

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
Bliss GVS [1]	205.70	205.50	205.00	208.00	204.90	513.57	230.00	129.00	43	206.70
BLSIntlServ [1]	198.85	209.45	200.00	214.90	199.90	423.81	293.00	119.15	-	209.30
Blue Blends	31.90	31.45	31.40	32.65	31.35	4.56	64.00	26.85	12	31.45
Blue Dart	4681.85	4673.90	4700.00	4710.00	4631.00	2.76	5422.00	3830.65	96	4644.65
BlueCoast	125.40	131.65	131.65	131.65	131.65	0.02	154.90	105.00	-	-
BlueStar [2]	751.20	731.55	762.00	764.00	725.00	75.40	845.00	519.75	66	733.30
Bodal Chem [2]	159.10	158.10	160.20	160.45	157.00	103.08	193.60	127.15	16	157.50
Bomay Bur [2]	1399.95	1419.65	1409.70	1448.00	1361.10	154.17	1820.00	583.10	-	1423.05

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
Omaxe	228.95	230.00	229.20	230.45	229.00	612.44	235.15	164.65	84	229.85
OMDC [1]	1839.60	1832.45	1847.95	1849.90	1821.00	2.84	2370.00	1616.45	351	1842.70
Omkar Spl	73.05	71.65	74.00	74.50	71.00	113.30	120.05	68.00	4	72.35
OnMobile	55.05	55.25	55.45	56.40	55.00	324.97	94.95	51.75	20	55.40
Onward Te	99.95	100.60	102.70	103.00	99.70	48.17	169.45	64.55	-	100.40
Oracle Fin [5]	4182.65	4207.95	4170.05	4241.20	4160.15	52.19	4376.30	3254.15	33	4210.10
Orbit Exp	154.35	155.95	154.00	160.95	152.70	22.24	190.00	115.65	23	154.10
Oricon Enter [2]	62.80	62.10	63.00	63.70	60.35	514.68	72.40	50.00	-	62.10
Orient Bell	327.65	318.70	326.45	339.00	311.40	61.17	375.30	156.00	30	319.35
Orient Cem [1]	151.60	152.20	155.85	155.85	151.50	66.08	183.80	124.65	65	151.25
Orient Grn	12.10	12.00	12.15	12.95	11.90	715.57	17.29	7.90	-	12.05
Orient Htls [1]	55.40	56.25	56.85	57.25	54.00	350.47	68.50	25.55	-	56.25
Orient Pap [1]	47.15	47.85	47.30	48.75	46.55	515.23	61.80	22.42	13	47.95

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
Religare	43.20	41.05	43.70	43.90	41.05	3707.75	254.80	34.25	-	41.25
RelNavalEngg	46.00	44.15	46.10	47.00	43.30	7315.50	72.65	33.65	-	-
RelNippon	284.55	274.35	284.95	289.85	272.00	289.95	335.00	237.50	-	-
Renais.Jwl	317.40	311.50	325.45	325.45	306.00	25.86	384.80	131.00	18	313.15
Repco Home	624.20	625.95	622.00	637.90	618.60	536.77	923.00	552.00	20	624.90
Repro	725.55	720.25	730.00	750.00	716.00	5.06	862.95	381.30	39	722.90
Resp.Ind [1]	39.15	39.65	38.75	40.05	38.75	24.91	107.40	34.50	-	42.45
Revathi	692.25	677.00	686.00	695.95	671.35	0.71	1062.00	582.00	16	690.00
Rico Auto [1]	86.50	87.90	86.95	90.00	86.95	547.76	110.90	43.75	29	87.90
Rohit Ferro	4.65	5.10	5.10	5.10	5.10	290.70	8.20	4.40	-	4.84
Rolta	67.90	66.20	68.30	69.15	65.00	1040.80	82.10	50.25	3	66.20
Rossell [2]	107.10	108.75	110.90	110.95	104.20	12.23	149.90	89.00	-	108.60
Royal Orchd	216.35	209.80	219.00	229.50	195.65	145.76	223.25	79.00	48	210.55

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
Sund.Clay [5]	4842.95	4747.85	4781.10	4874.95	4674.95	1.42	6195.00	3125.05	229	4761.65
Sund.Fast [1]	525.10	532.65	526.95	538.70	521.20	73.56	600.00	312.00	31	533.95
Sund.Multi [1]	4.30	4.30	4.30	4.40	4.20	876.95	6.50	2.55	-	4.31
Sunflag	82.60	82.35	81.70	85.50	81.00	510.40	90.75	33.25	19	82.05
Sunil Hitec [1]	12.85	12.90	13.00	13.25	12.85	1667.81	16.24	10.20	8	12.94
Sunteck [1]	422.35	419.50	425.00	450.00	402.55	837.32	435.00	118.00	64	422.50
SunTVNet [5]	1024.40	1012.40	1028.00	1029.30	976.50	651.34	1097.05	520.00	39	1012.90
Superhouse	162.20	165.20	163.10	169.10	161.60	36.46	227.95	136.05	23	165.05
Supr.Ind [2]	1303.25	1363.15	1290.05	1410.00	1232.30	354.59	1489.95	923.60	47	1349.80
Supr.Infra	124.75	120.95	124.20	124.20	120.10	43.56	132.30	68.00	-	121.00
Supr.Petro	371.00	373.25	375.00	375.00	370.00	20.67	447.20	240.60	25	372.55
Supr.Tex [5]	2.45	2.55	2.40	2.55	2.35	436.26	5.20	1.81	-	2.58
Suprajit [1]	303.75	313.60	304.00	315.00	298.30	65.35	348.50	184.40	57	313.90

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
Vascon	40.65	40.10	40.95	42.00	39.75	1006.30	58.80	28.20	-	40.05
Vaswani	15.80	16.70	15.60	17.20	15.60	37.47	24.15	7.57	-	16.10
Venky's	2707.15	2800.70	2727.80	2936.00	2703.00	218.57	3046.00	498.65	24	2799.20
VenusRem	88.85	88.00	89.45	90.55	87.20	45.53	125.90	88.00	26	88.05
Vesuvius	1418.45	1371.40	1430.00	1438.70	1363.10	15.22	1486.10	1091.00	30	1381.20
Veto Switch	217.80	220.15	218.00	225.90	218.00	75.36	265.00	127.65	24	219.40
V-Guard [1]	233.55	229.35	234.50	234.50	225.00	1269.65	251.00	142.86	66	229.30
Vice.Htl	17.45	17.20	17.50	17.80	17.10	329.87	24.80	15.55	-	17.20
Video.Ind	18.50	18.20	19.00	19.00	18.10	1407.45	110.00	12.10	-	18.10
VidhiSpclIng [1]	92.25	94.25	93.00	96.00	89.60	170.37	115.90	49.10	31	94.00
Vijay.Bld	26.15	26.05	26.85	27.75	24.10	110.65	36.00	11.00	-	26.30
Vijaya Bk	63.85	62.60	64.00	64.90	60.70	2007.73	97.40	51.40	10	62.35
VikasEcoTec [1]	39.80	40.65	40.00	42.20	38.50	7658.44	48.50	16.00	27	40.70

Company	Prev	Close	Open	High	Low	Qty	52 WH	52 WL	PE	BSE Cl
Zee Med [1]	43.45	43.85	44.20	44.20	42.00	471.12	50.15	33.65	-	43.70
Zen Bir	0.90	0.95	0.95	0.95	0.95	73.98	0.90	0.45	-	0.70
Zen Exp	54.00	52.10	55.00	55.00	52.10	9.08	62.00	46.00	26	-
Zen Tech. [1]	121.00	120.65	120.50	125.20	119.00	187.11	158.10	46.45	86	119.85
ZensarTec	953.45	945.85	949.00	952.00	931.40	12.16	1000.00	735.50	28	946.55
Zicom	24.40	26.65	25.90	28.50	25.45	1641.06	48.80	19.10	-	26.80
Zod.Clo	209.90	202.80	211.80	211.80	197.30	10.09	254.00	174.50	-	205.75
Zod.Jrd	47.55	45.70	47.05	47.05	45.20	0.90	56.40	29.00	12	48.50
Zuari Ag	486.30	482.60	490.65	501.25	481.00	151.27	689.45	313.40	19	482.45
Zuari Glo	202.70	198.05	203.70	208.00	195.65	69.75	320.10	111.60	35	198.30
ZydusWel	998.00	1007.65	1004.00	1015.00	988.05	5.21	1165.00	809.00	34	1005.00
Zylog [5]	4.05	4.00	4.15	4.15	4.00	128.49	6.01	2.86	-	4.10

Exchange Traded Funds

Company	Pre Cl	NSE Cl	Vol	52 WH	52 WL	BSE Cl
Axis Gold [100]	2625.00	2631.30	0.08	2699.99	2470.15	2640.00
AXISAMC - AXISNIFTY	1102.71	1118.90	0.04	1122.49	830.30	-
Bank BeEs	2771.53	2759.99	6.16	2809.13	1955.00	2759.60
Birla Gold	2750.80	2782.00	0.02	2921.00	2606.00	2818.00
Birla Nifty [100]	109.50	113.98	0.29	2929.00	2510.01	-
Canara Gold [100]	2765.00	2826.50	2.00	2864.50	2500.40	2770.00
EdeAMCNifEES	12350.00	12350.00	0.00	13400.00	8663.00	-
EDELAMC - EQ30	243.17	236.10	0.04	289.40	194.00	-
Gold BeEs [100]	2708.90	2714.25	30.52	2742.90	2500.05	2712.86
Goldmanamc - CPSEETF	31.04	30.60	1673.45	31.49	25.50	30.50
HangSengBees	3325.00	3260.01	0.07	3349.00	2015.01	3700.00
HDFC Gold [100]	2762.35	2769.80	0.88	2823.00	2552.00	2765.00
HDFCAmc-Nift [100]	1127.00	1126.50	0.11	1236.20	708.25	1122.91
HDFCAmc-Sens	3598.50	3605.00	0.00	4145.00	2345.00	-
ICICI PRU NIFTY IWIN	113.32	113.08	55.53	120.00	86.80	-
ICICI PRU NV20 IWIN	50.87	50.76	1.20	60.00	37.99	-
ICICI PRU SENSEX IWIN	375.08	374.88	0.04	393.00	245.90	-
ICICIPRAMC BHARATIWIN	38.35	38.43	2506.88	39.05	30.44	38.40
ICICIPRU NIFTY100 IWIN	119.53	119.20	0.98	125.00	77.00	-
ICICIPruGIWi	273.70	273.60	2.55	293.00	220.00	-
ICICIPruMidC	74.90	73.90	6.13	84.95	54.82	-
IDBI Gold [100]	2804.85	2810.40	0.94	2929.00	2510.01	-
IDFCAMC - IDFNIFTYET	111.42	111.83	0.03	115.25	85.78	-
Infra BeEs	369.96	372.74	2.36	1203.80	827.30	-
InvesIndGold [100]	2705.00	2750.00	0.05	3226.60	2407.00	-
InvesInNifty	1137.00	1139.00	0.04	1250.00	790.00	-
Kotak Nifty [5]	111.51	111.91	263.76	1128.70	739.15	1120.30
Kotak PSU Bk	369.72	366.77	3.21	416.00	283.90	365.06
KOTAKMAMCKOTKBKETF	279.07	276.51	1.37	309.10	196.86	-
KOTAKMAMC-KTNV20ETF	51.90	51.70	0.92	61.00	35.14	-
Kotal Gold	265.15	266.10	12.32	275.00	246.11	266.20
LICNAMC -CNFENGP	108.00	111.50	0.07	127.00	77.00	-
LICNAMC -CNFESGP	374.00	351.00	0.02	416.00	234.50	-
LICNAMC -CNFNHGP	114.00	105.10	0.47	123.67	76.20	-
Liquid BeEs [1000]	1000.00	1000.00	1175.06	1009.00	952.90	1000.01
Most-Gold	23.18	22.87	22.92	24.86	16.00	22.95
MostM50 [7]	104.96	104.00	0.58	110.00	79.15	106.15
MostM50	502.60	505.68	1.90	525.70	325.10	516.00
NiftyBeEs	1135.44	1135.03	73.26	1149.79	869.00	1137.63
NiftyJrBeEs [1]	309.59	309.97	34.54	325.40	233.20	310.93
PSU Bk BeEs	410.90	401.69	11.78	499.00	327.00	-
Qgold [100]	1345.00	1349.75	0.12	1355.25	1245.00	1348.95
Qnifty	1192.70	1199.00	0.01	1203.80	827.30	-
RELCAPAMC - RELCONS	52.25	52.20	8.12	62.99	38.65	-
RELCAPAMC - RELDIVOPP	29.99	30.08	0.48	32.99	20.51	-
RELCAPAMC - RELNV20	524.70	522.45	0.00	539.99	376.86	-
RELCAPAMC - RRSLGETF	16.81	16.76	10.25	17.46	16.50	-
RelCNX100	116.37	116.85	0.05	120.00	90.20	-
SBI-ETF Gold	2742.30	2754.85	4.38	2794.40	2536.00	-
SBI-ETF NIFTY 50	111.94	112.01	23.04	119.50	86.81	-
SBI-ETF NIFTY BANK	275.50	274.00	0.29	300.00	197.60	-
SBI-ETFNN50	308.43	308.67	1.79	330.00	237.20	-
Sharia BeEs	270.00	268.00	0.00	310.00	180.15	-
UTI Gold [100]	2652.75	2691.25	8.64	3069.99	2485.00	2693.07
UTIAMC - UTINEXT50	306.80	309.70	0.05	335.90	226.40	-
UTIAMC - UTINIFT	1139.90	1150.89	1.92	1154.05	755.90	-
UTIAMC - UTISENS	373.35	372.00	0.02	378.70	281.85	-

*: Closing price is the average of trade price(s) for the last half an hour;52-Week High/Low figures pertain to BSE.

Shares of face value other than ₹10 is indicated in brackets immediately following the name of the company.

Qty (No of shares traded) is denoted in thousands.
*: Due to technical reason, the 52-Week High/Low figures are Wednesday's BSE value.

The PE(price-earnings multiple) of each stock is based on the latest declared earnings.

The PE computation takes into account the per share earnings of each company for the latest 12 months.

BSE Stocks

Company	Pr Cl	Cl
Zf Steering	1179.40	1176.60
Group T		
21St Cen.Mgm	40.40	41.20
Apollo	361.25	343.20

Company	Pr Cl	Cl
Dynemic Pro	184.20	190.25
Guj.Raffia	81.90	80.00
Jaibala Ind	16.20	16.70
Kushal [2]	155.45	155.65
Mah.Ras.Apex	159.70	167.65

Company	Pr Cl	Cl
Niyogin	90.05	91.85
Obi Ltd	108.20	113.60
Optiemus	261.45	272.65
Ramgopal Pol	6.68	7.01
Suyog Tele	380.00	380.00

NSE Trade for Trade

385

இயற்றலும் ஈட்டலுங் காத்தலும் காத்த
வகுத்தலும் வல்ல தரசு

For the king's attention to his kingdom's wealth to fruit
He must guard its source and its produce
even-handedly distribute

FROM OUR RESEARCH BUREAU

Meera Siva

A class act

The change

The tone and tenor of the Budget proposals point to 3Qs — qualification, quality and quantum — for the sector that is focussed on the 3Rs. The measures are extremely positive and a great step to reset the education sector that has not learnt new ways to launch itself.

The focus on improving the skill and qualification of teachers in schools through training is a key positive that will have an immediate impact on the quality of education. The idea to treat education from primary to class 12 without segmentation into primary, middle and high school is also a welcome one as it will help evolve a holistic view on learning outcome.

The plans to build on the results of the National Survey of children to develop strategies to improve the quality of education will have a long-term benefit. Better quality of education in Government schools can, over time, help stem the exodus of students to private schools.

The focus on research is also a much needed measure. The quantum of thrust, as seen by the huge investment proposed towards RISE (Revitalising Infrastructure and Systems in Education), will boost the creation of research-focussed institutions in the country. Funding for developing World Class Institutions has also been increased. These, along with the Research Fellows program to promote research, will pay dividends in the form of Intellectual Property creation. The focus on research and higher education will benefit players such as CL Educate.

Takeaways
- Focus on quality
- Thrust on research
- Large investment proposed

The background

Education has been a big segment in the country, given its young population. Private education providers in the space have done well, as more children joined schools but the quality of public education faltered. Likewise, lack of growth in higher education institutions, even as college enrolment increased, led to the sprouting of private colleges, with no way to measure quality standards.

In spite of the opportunities, listed education players have not fared well, over the years. Earlier measures to bring digital education in schools have not been successful and companies in this segment faced various issues. Last year, the share price of players in the K-12 space, such as CL Educate and MT Educate, dropped, even as the broader market was upbeat. Others such as Educomp and Zee Learn saw tepid price action.

The unlisted space has been better for education companies. Many smaller players who offer technology or services saw robust private equity funding.

The verdict

The Budget will bring a lot of cheer to students and parents. Investors in the education space can likely see interesting IPOs from players who focus on education quality, in the next few years.

TWEETOSPHERE

The #NewIndiaBudget is farmer friendly, common citizen friendly, business environment friendly and development friendly. It goes beyond 'Ease of Doing Business' and focuses on 'Ease of Living.

Narendra Modi
@narendramodi

Social welfare: Something old, something new

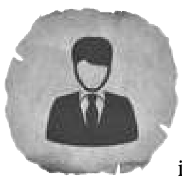
Allocation for several of the ongoing projects like MNREGA got a big boost in this Budget

TINA EDWIN

New Delhi, February 1

Once again, the Budget speech laid a lot of thrust on achieving health for all, education for the masses, social security for the poor, increased employment opportunities, housing for poor and social and financial inclusion.

And, as expected, many of the ongoing flagship schemes of the government meant mostly to benefit the poor were highlighted in the last Budget ahead of general elections before May 2019. Several of the schemes, such as Prime Minister's Ujjwala Scheme for providing free LPG connection to rural women and Pradhan Mantri Saubhagya Yojana for providing electricity connections, will see further expansion and more toilets will be built under Swachh Bharat Abhiyan.



However, it is the health cover programme — the National Health Protection Scheme — announced as a flagship programme that will be spoken about by Prime Minister Narendra Modi the most in the months ahead as he steps out to address the public ahead of Assembly elections in States such as Rajasthan, Madhya Pradesh, Chhattisgarh and Karnataka.

India's version of Obamacare?

The scheme, which will cover hospitalisation expenses of up to ₹5 lakh, is expected to benefit about 10 crore poor and vulnerable families across the country. Undoubtedly, effective implementation of the scheme will help the masses who currently spend all their savings or borrow for hospital treatments.

While the details of the scheme will be announced in the months ahead, some are already describing it as India's version of Obamacare. Others say it is only a repackaging of the National Health Protection Scheme that was announced in the last Budget but remained largely on paper. Finance Minister Arun Jaitley said this would be the largest government funded healthcare programme.

Yet, this is not the first scheme announced by the NDA government to primarily benefit the uninsured and the under-insured in the country. In Budget 2015-16, the government had announced three social security schemes, Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana as insurance schemes and Atal Pension Yojana as a pension plan. Several crore individuals have already signed up for each of the three social security programmes. Earlier, the government had announced a Jan Dhan Yojana for financial inclusion, which ensured crores of no-frill bank accounts were opened.

Allocation boosted for some

Among the various ongoing social sector schemes, the Mahatma Gandhi National Rural Employment Guarantee programme continues to command the highest allocation.

The Budget has set aside ₹55,000 crore for the next fiscal, which incidentally is the same amount as the revised estimate for the current fiscal year. It is debatable whether the allocation, the highest since its launch, will be enough considering the high level of rural stress.

In the current fiscal year, the government had to increase outlay for the scheme by about 15 per cent as an increasing number of people demanded jobs. Such increase may become necessary if the monsoons are below par in many parts of the country.

Another livelihood programme, the National Livelihood Mission, also known as Aajeevika, saw almost 30 per cent increase in allocation.

The programme is intended to help people be self-employed and meant to benefit seven crore rural households. Given the low level of creation of new jobs, this mission is critical to enable people set up small enterprises that will provide them steady income.

The National Education Mission, which includes Sarva Shiksha Abhiyan, saw its allocation increase over 10 per cent from the revised estimates and 28 per cent over the Budget estimate for the current fiscal year. The Mid-Day Meal Scheme saw 5 per cent increase in the allocation for 2018-19.

The Integrated Child Development Scheme to provide food, pre-school education, and primary healthcare to children under six and their mothers, saw allocation rise by more than 15 per cent over the revised estimates.

Making do with less

The Swachh Bharat Abhiyan, which focuses mostly on building toilets for individual households as well as for community usage, has seen its allocation drop from the revised estimate levels for 2017-18.

The government claims about six crore toilets have already been constructed since it was launched in October 2014 and another two crore will be built.

But it is one of the few flagship programmes that saw its funding drop from the revised estimates level. The Prime Minister Awas Yojana, which is intended to provide a house for every poor household by 2022, saw its allocation cut.

While increased spending for social sector schemes is welcome, effective implementation of the schemes is are the key to achieving the intended objectives — an inclusive, equitable and sustainable growth.

The Mid-Day Meal Scheme saw 5 per cent increase in the allocation for 2018-19

Budgetary support for major social sector schemes (in ₹ crore)

Outlay for major social sector programmes	2015-16 Actuals	2016-17 Actuals	2017-18 Revised estimates	2018-19 Budget estimates
Mahatma Gandhi National Rural Employment Guarantee Programme	37,341	48,215	55,000	55,000
Pradhan Mantri Awas Yojana	11,603	20,952	29,043	27,505
Swachh Bharat Mission	7,469	12,616	19,248	17,843
National Health Mission	20,213	22,870	31,292	30,634
National Education Mission	27,066	27,616	29,556	32,613
National Programme of Mid-Day Meal in Schools	9,145	9,475	10,000	10,500
Umbrella ICDS	16,835	15,893	19,963	23,088
National Livelihood Mission - Aajeevika	2,783	3,486	4,699	6,060

Source: Budget documents

VISUALLY | RADHIKA MERWIN

Modi schemes shining

The Budget has been increasing the outlay on various social sector programmes over the last two years. After the success of the Pradhan Mantri Jan Dhan Yojana, the Centre had rolled out affordable insurance schemes for the underprivileged. Here's taking stock of Modi's pet projects

Jan Dhan drive delivers

Launched in August 2014 it was credited with opening 8 crore accounts within 100 days; the current tally is a little over 30 crore

*Jan 24 , 2018

No of accounts (in crores)	RURAL				URBAN				TOTAL			
	Feb-15	Feb-16	Feb-17	Current*	Feb-15	Feb-16	Feb-17	Current*	Feb-15	Feb-16	Feb-17	Current*
Public sector banks	5.80	9.22	12.18	13.42	4.93	7.30	10.04	11.61	10.73	16.53	22.22	25.04
Regional rural banks	2.02	3.19	4.00	4.21	0.36	0.53	0.65	0.78	2.38	3.72	4.65	4.98
Private banks	0.34	0.45	0.54	0.60	0.23	0.30	0.36	0.39	0.57	0.75	0.90	0.99
Total	**8.16**	**12.86**	**16.72**	**18.23**	**5.52**	**8.13**	**11.05**	**12.78**	**13.68**	**21.00**	**27.77**	**31.01**

Deposits in Jan Dhan rose sharply post demonetisation raising concerns over misuse

Deposits now are above the peak levels

Deposits (₹ cr)	Nov-14	Nov-15	Nov-16	Dec-16	Jan-17	Mar-17	Current*
Public sector banks	4,199	20,697	36,404	55,247	52,456	49,266	58,913
Regional rural banks	515	4,523	7,631	13,168	12,459	11,609	12,492
Private banks	261	1,136	1,602	2,622	2,410	2,098	2,183
Total	**4,975**	**26,356**	**45,637**	**71,037**	**67,325**	**62,973**	**73,588**

*Jan 24 , 2018

Low-cost insurance schemes see more traction

Pradhan Mantri Jeevan Jyoti Bima Yojana provides life insurance at ₹330 per year

As on	Jan 16, 2017	Jan 22, 2018
Total no of persons enrolled (crore)	3.08	5.26
Total no of claims received	53,197	90,424
Total no of claims disbursed (cumulative)	49,692	82,432

Pradhan Mantri Suraksha Bima Yojana provides accident insurance worth ₹2 Lakh at ₹12 per year

As on	Jan 16, 2017	Jan 22, 2018
Total no of persons enrolled (crore)	9.88	13.31
Total no of claims received	10,534	19,285
Total no of claims disbursed (cumulative)	7633	14,723

Source: pmjdy.gov.in; jansuraksha.gov.in

GRAPHIC: KS GUNASEKAR

Smart Cities still a work in progress

Outlay up but may fall short of requirement, say experts

BINDU D MENON

Mumbai, February 1

One of the signature schemes of the government, Smart Cities Mission, is being further enhanced with an outlay of ₹6,169 crore in 2018-19 as against ₹4,000 crore in 2017-18. However, analysts tracking the sector feel the allocation needs to be further enhanced to spur growth.

Industry experts say the current requirements for smart-city project alone could be in the range of ₹15,000 crore. The outlay for 2018-19 stands at ₹12,169 crore, including ₹6,000 crore for Atal Mission for Rejuvenation and Urban Transformation (AMRUT). A closer look at the Budget reveals that the government allocated a total of ₹9,276.70 crore in 2016-17. For 2018-19, the allocations have gone up to ₹12,169 crore from ₹9,000 crore in 2017-18, a 35 per cent increase.

The Centre has launched 99 smart cities in two years. The first batch of 20 cities was selected in January 2016, and last nine cities were selected as recently as in January 2018.

Technology boost

Says Milind Kothari, Managing Partner, BDO India, "True to the commitment, Smart Cities programme is progressing well and with continued budgetary support, these cities will greatly benefit from a new ecosystem of infrastructure leveraged on the thrust of using technology as the backbone."

A chunk of the fresh allocation has been earmarked for formation of SPVs in 10 Smart Cities, improvement in specific socio-economic indicators based on the specific development theme being pursued by 100 Smart Cities.

"The government expenditure on thousands of projects initiated under Smart Cities Mission across India has already created a large market for the private sector and is going to further translate into jobs at all levels, better and efficient infrastructure and liveable cities for everyone," said NSN Murty, Partner and Leader-Smart Cities, PwC India. As on January 17, 2018, there are 2,948 projects worth ₹1.38 lakh crore, at various stages of implementation. A total 189 projects worth ₹2,237 crore have been completed, and implementation is under way for 495 projects with a cost of ₹18,616 crore.

Interlinked programmes

Sunil Agarwal, Associate Dean and Director, School of Real Estate, RICS SBE, says, "The government has two interlinked programmes to address the urbanisation phenomenon-smart cities and AMRUT. So far, 99 smart cities have been selected with an outlay of ₹2.04 lakh crore. It is good to know that these cities have started implementing the ambitious smart cities mission and about ₹2,350 crore worth of projects have already been completed. Around ₹20,850 crore worth of smart city projects are still under progress."

FROM BLACKBOARD TO DIGITAL BOARD

Education to RISE and shine; R&D in sharp focus

Eklavya Model Residential Schools are proposed to be set up in the hinterland to benefit tribals

GARIMA SINGH

New Delhi, February 1

Digitalisation of education and focus on research and development in the premier institutes were among the major announcements made for the education sector in Budget 2018.

'A game changer'

To increase digital intensity in education, the focus of the government would be to move from blackboard to digital board, said Finance Minister Arun Jaitley. Announcing the "Revitalising Infrastructure and Systems in Education" (RISE) initiative to increase investment in research in the premier institutes of the country, he allocated a total investment of ₹1 lakh crore over a period of four years.

"We appreciate the focus towards improving the quality of education and intensifying Digital India. Aiming for blackboard to digital board schools by 2022 will advance teaching and learning methodology for both teachers and students.

The announcement of ₹1 lakh crore to revitalise and upgrade education system will be a game changer towards increasing the digital penetration in education, which will shift the country from a manufacturing base to a research base," said Prashant Bhalla, President, Manav Rachna Educational Institutions.

With the aim to provide quality education to tribal children by 2022, the Finance Minister proposed the forming of Eklavya Model Residential Schools.

The schools will be set up in the hinterland in areas that have more than 50 per cent ST population and at least 20,000 tribals.

"Increased numbers of Eklavya residential schools is a predictable move by the government for tribal areas. The Budget pitch of technology and infrastructure may prove to be a 'game changer'," said Ravi Sreedharan, Co-founder of Indian School of Development Management, Noida.

istock.com/pixelfusion3d GETTY IMAGES/ISTOCKPHOTO

"The fact that ₹1 lakh crore has been earmarked for revitalising innovation under RISE over the next four years augurs well for the future," said P. Sathyanarayanan, President of SRM University.

Incentivising toppers

Under the Prime Minister's Research Fellows (PMRF) Scheme, 1,000 best B.Tech students will be selected from premier institutions each year and facilities will be provided to them to undertake Ph.D in IITs and IISc with an attractive fellowship.

Emphasising the training of teachers during service, an integrated B.Ed programme for teachers was announced, as also a Railways University in Vadodara and 18 new Schools of Planning and Architecture (SPAs) in IITs and NITs as autonomous schools.

तस्मान्नित्योत्थितो राजा कुर्यादर्थानुशासनम् ।
अर्थस्य मूलमुत्थानमनर्थस्य विपर्ययः ॥
अनुत्थाने ध्रुवो नाशः प्राप्तस्यानागतस्य च ।
प्राप्यते फलमुत्थानाल्लभते चार्थसंपदम् ॥

"The root of wealth is economic activity and lack of it brings material distress. In the absence of fruitful economic activity, both current prosperity and future growth are in danger of destruction."

[1.19.35,36]

How Jaitley chipped away at the 'jobless growth' problem

Not by addressing it squarely, but by subtly undoing labour market rigidities that inhibit employment

VENKY VEMBU

One of the most politically loaded issues to enliven the discourse in the run-up to the Budget was of jobs – or, rather, the lack thereof.

The perceived inability of policy-making and of targeted skills enhancement schemes, to generate adequate employment for the hundreds of thousands of new entrants to the jobs market every month, and to enhance their employability, has bedevilled the Modi government.

Pushed on the defensive by lingering questions and taunts over the phenomenon of "jobless growth" in the formal sector, Prime Minister Narendra Modi resorted last fortnight to an artless articulation of 'Pakodanomics' – arguing, for instance, that a roadside seller of fritters was, in his own way, gainfully employed and ought to be reflected as such in employment statistics.

That remark came in for much searing criticism from the Opposition and economic commentators.

Subtle changes

Given that backdrop, there was heightened expectation that the Budget would squarely address the problem of employment generation.

What it offered, instead, was a smattering of micro-proposals that addressed the issue on the margins, whose cumulative effect is somewhat difficult to fathom.

In his Budget speech, Finance Minister Arun Jaitley cited an "independent study" to advance the claim that the string of policy measures announced over the past three years had yielded good gen-erate 70 lakh formal jobs this year.

That academic study by Pulak Ghosh, at IIM-Bangalore, and Soumya Kanti Ghosh, Group Chief Economic Adviser at SBI, was based on data from the Employees Provident Fund Organisation (EPFO), and amplified by subsequent newspaper articles in which the authors claimed that India creates more formal jobs (70 lakh) than the number of skilled workers entering the workforce every year (66 lakh).

Among the proposals that Jaitley cited were government contribution to the EPF in respect of new employees for three years; additional deduction provided to employers for up to 30 per cent of wages paid to new employees; and, introduction of fixed-term employment in the apparel and footwear sectors.

The increase in paid maternity leave from 12 weeks to 36 weeks, along with provision for creches in workplaces, had also provided the incentive for more women to take up employment in the formal sector, he noted.

He then expanded the scheme under which the government would contribute 12 per cent to the EPF of new employees to all sectors for three years. Likewise, the facility of fixed-term employment has been extended to all sectors.

From all available evidence, the introduction of fixed-term employment has had the effect of doing away with ideologically-driven rigidity in labour markets, and has – somewhat counter-intuitively – enhanced employment generation. The experience of job generation in the apparel sector, in particular, has been commendable.

Similarly, to provide additional incentives for women to take up employment in the formal sector, Jaitley said he was tweaking the EPF rules to lower women employees' contribution to 8 per cent for the first three years of their employment, against the current 12 per cent (or 10 per cent). This will, he said, enhance the take-home wages of the women employees, but it comes at a cost to their savings for retirement, which is what EPF contributions are intended for.

Emphasis on social sector

In fact, the Economic Survey had cited enterprise-based GST data and statistics in respect of contributions to the EPF and the Employees State Insurance Scheme to make the somewhat striking claim that formal non-farm payroll in India is considerably higher than earlier estimates.

It is, perhaps, this consideration that allowed the government to address the issue of job generation on the margins, rather than squarely, and devote a greater part of the emphasis in this year's Budget document to its social sectoral allocations.

FROM OUR RESEARCH BUREAU

Nithya Palani

Plugging into gains from electrification schemes

The change

Budget allocation has been increasing over the years for the power sector. This Budget has increased allocation towards the Saubhagya scheme (household electrification) launched in September 2017 and has also set aside more funds towards the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) (electrification of villages). The allocation was ₹2,750 crore towards Saubhagya Scheme and ₹3,800 crore towards DDUGJY.

DDUGJY is targeted to be completed by May 2018 and Saubhagya scheme by March 2019.

The background

Coal shortage, weak demand and reducing PLFs have been the few headwinds faced by power generators in the recent past. Power generating companies like NTPC, Adani Power and Tata Power have been increasing the installed capacity whereas the demand for power remains muted, putting pressure on revenue growth. NTPC, the largest power generation company in India, managed to maintain the plant load factor (PLF) for coal-based plants at 76.6 per cent whereas overall the PLF of coal-based plants has reduced to 59.7 per cent as of November 2017, from 70 per cent in fiscal 2013.

The profit growth of power generators has also been muted due to higher input cost and lower offtake. Due to change in regulations overseas, the price of imported coal has increased, leading to increase in operating cost for some power players like Tata Power and Adani Power. NTPC had signed long-term fuel supply agreements with coal producers, which ensures continuous fuel supply to the company, supporting profit growth. Power Grid, the largest transmission company, put up a good show with strong revenue growth and profit growth in the first half of fiscal 2018. This company is also in the process of strengthening transmission lines for distributing additional renewable power.

Takeaways

- Allocations for higher electrification
- Power generators to benefit
- PLFs of power generators to increase

The verdict

Power generating companies like NTPC, NHPC and power transmission company Power Grid Corporation will benefit from the increase in demand for power, as these schemes expand the reach of electrification in the country. The new schemes are also expected to increase the PLF of power generating companies like NTPC, NHPC, Tata Power and Adani Power, which are unable to utilise their installed capacities due to lower demand. Since the completion target is close, speedier execution could see Power Grid's order book increase.

Coal shortage and increase in imported coal prices remain a big concern for power generators like Adani Power and Tata Power. However, the Budget has left the taxes on coal unchanged. Imported coal used for power generation between April and December 2017 is 43.6 million tonnes, which is around 27 per cent of total coal imports.

TWEETOSPHERE

I laud the Budget for giving health insurance to 10cr Indians. This Budget should bring growth in rural India. Great for MSMEs with upto 250 Crs turnover.

Sajjan Jindal
@sajjanjindal

Low-voltage tax shots that can power the energy sector

Tiny tweak of excise duty on fuel will help in development of pipelines, storage facilities

RICHA MISHRA/TWESH MISHRA

New Delhi, February 1

Finance Minister Arun Jaitley's Budget speech was silent on the energy space, but, as the saying goes, 'read the fine print'.

Not only has Jaitley tweaked the excise duty on petrol and diesel but also extended the direct benefit of Road and Infrastructure Cess to oil and gas pipelines, oil and gas/LNG storage facilities and city gas distribution networks. In fact, Finance Bill, 2018 extends the status to Electricity Generation, Transmission and Distribution as well.

Jaitley has trimmed the excise duty on petrol and diesel by ₹2 a litre. He has also abolished road cess of ₹6 a litre and replaced it with a Road and Infrastructure Cess of ₹8 a litre.

The Finance Bill has extended the scope of infrastructure to hydrocarbon as well.

"This will be mean that even projects relating to oil and gas pipelines, city gas distributions, oil/gas/LNG and strategic storage of crude oil can get funds from the government from the cess of ₹8 a litre from petrol and diesel," DK Sarraf, Chairman, Petroleum & Natural Gas Regulatory Authority, told *BusinessLine*.

According to the proposal, the basic excise duty on unbranded petrol will now be ₹4.48 a litre, while that on unbranded diesel will be ₹6.33 a litre. This, however, does not mean anything for the consumer, as there will be no change in the retail price.

The hydrocarbon industry has been demanding infrastructure status on the grounds that there is no difference between roads and pipelines. It says it's the way forward to move to a gas-based economy.

The excise rejig will allow the government to park more funds in major infrastructure projects. K Ravichandran, Senior Vice-President and Group Head, Corporate Ratings, ICRA Ltd, said: "The Budget has changed the tax structure for petrol and diesel... so that adequate funds will be available for the road building programme without impacting prices for the consumer."

Biofuel boost

The biofuel industry is ecstatic about the introduction of the new cess, since biofuel blended petrol and diesel is exempt from this levy, according to Sandeep Chaturvedi, President, Biodiesel Association of India.

"This will give a much needed boost to the biofuel sector. Oil marketing companies shy away from blending due to the higher costs. Now they will have a leeway of ₹8 per litre since the Road and Infrastructure Cess is not applicable to blended fuel. Effectively, the companies will have a margin of ₹2-3 a litre after blending the fuel," he said.

Untouched by change The basic excise duty on unbranded petrol will now be ₹4.48 a litre, while that on unbranded diesel will be ₹6.33 a litre. However, there will be no change in the retail price

Power positive

For the power sector, the positive came for clean energy, with the proposal to eliminate import duty on solar panel components.

The duty on solar tempered glass or solar tempered (anti-reflective coated) glass for the manufacture of solar cells, panels and modules has been reduced from 5 per cent to zero.

Jaitley said farmers are increasingly installing solar water pumps, and the government will support them.

"The government will take necessary measures and encourage State governments to put in place a mechanism that their surplus solar power is purchased by the distribution companies or licensees at reasonably remunerative rates," he added.

Bengaluru bids goodbye to *Rail beku* campaign

ANIL URS

Bengaluru, February 1

The suburban railway network for Bengaluru is set to revolutionise commuting in the city. The biggest beneficiaries of the Budget announcement are the techies who commute to workplaces spread over the southern corridor (Mysuru, Hosur and Sarjapur Road), western parts (Tumukuru Road) and eastern parts (Old Madras Road).

City-based techies and daily commuters from towns like Channapattna, Ramanagar, Tumukuru, Devanahalli, Chikkaballapura, Kolar, KGF, Attibele and Hosur have held numerous protests through *Rail beku* ('We want trains') campaigns. Today's announcement brings the curtains down on the *Rail beku* campaigns, with expectations high for early implementation.

A couple of months ago, Railway Minister Piyush Goyal had visited the city, studying the present railway infrastructure, and indicated that the issues will be resolved at the earliest.

"So far, we have had heard announcements from Railway Minister Piyush Goyal. The Union Finance Ministry giving approval for the project is a big step," said Sanjeev V Dyamannavar from the advocacy group Praja RAAG, which had been pushing for a suburban rail network for Bengaluru.

"The announcement is a positive step towards the realisation of a long-pending demand through our *Rail beku* campaign, and we expect early implantation," he added.

The Centre has announced a suburban railway network for Bengaluru, responding to a long-pending demand

The Karnataka government has also been trying to address the rail demand. After conducting a study of its own on the availability of rail infrastructure and the land required, it brought forth a proposal on Wednesday, which the State Cabinet cleared.

State-Centre SPV

Now following the agreement between the State government and Indian Railways, an SPV will be formed to raise resources to implement the project. When operational, each train is expected to have a capacity of 1,800-2,000 passengers.

Darpan Jain, Karnataka Commissioner for Industrial Development and Department of Industries and Commerce, said: "The Cabinet has approved equity infusion into the SPV for suburban rail projects worth ₹1,745 crore. This will enable the creation of rail infrastructure and new rolling stock to start 58 new trains or 116 new services."

VISUALLY | NITHYA PALANI

Lighting up households

Rural electrification is one of the focus areas of the Budget and the allocation to this head has been increasing every year. While power has reached most villages, one-fifth of rural households are still without electricity

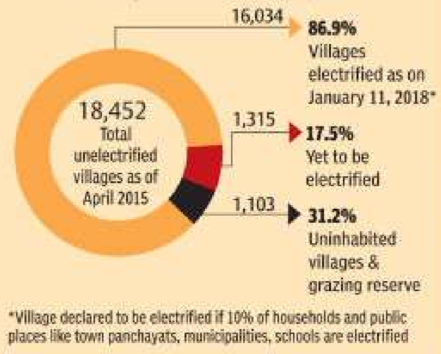
Power Ministry has got higher allocation in recent years

Major power schemes announced in the last five years

Schemes	Date of launch	Amount allocated (₹ cr)	Purpose/Focus
Integrated Power Development Scheme	Dec 2014	44,011	Strengthening sub-transmission and distribution networks, metering of transformers/feeders
Unnat Jyoti through affordable appliances	Jan 2015	Nil	Efficient lighting programme for households
Deendayal Upadhyaya Gram Jyoti Yojana	Jul 2015	76,000	Electrification of villages
Ujwal DISCOM Assurance Yojana	Nov 2015	Nil	Providing financial assistance to distribution companies
Pradhan Mantri Sahaj Bijli Har Ghar Yojana	Sep 2017	16,320	Household electrification in rural India

Villages electrification on track

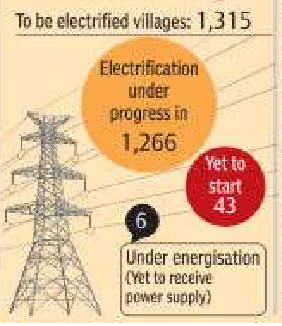
100% of villages are to be electrified by May 2018



*Village declared to be electrified if 10% of households and public places like town panchayats, municipalities, schools are electrified

Electrification in progress in most unelectrified villages

To be electrified villages: 1,315



But a large number of rural households yet to be electrified

Total households	18,10,05,140
Households electrified as of October 10, 2017	14,05,89,176
Electrified under ongoing RE plan since October 11, 2017**	3,51,272
Electrified under Saubhagya since October 11, 2017*	6,25,055
Households yet to be electrified	3,94,39,637

**Electrified under Deendayal Upadhyaya Gram Jyoti Yojana RE: Rural electrification *Till January 11, 2018

Increasing installed power capacity can aid electrification

*Till Nov 2017

Source: Ministry of Power, Garv dashboard, Saubhagya dashboard

GRAPHIC: VISVESWARAN V

BUDGET 2017-18

ANNOUNCEMENTS & ACHIEVEMENTS

The shock demonetisation of ₹500 and ₹1,000 banknotes had disrupted growth, shaken consumer confidence and hurt demand. The US Federal Reserve had begun tightening of rates, which meant India could see outflow of capital. Oil prices had begun to firm up and so times had become challenging

Outcome of key announcements

Aadhaar Pay, a merchant version of Aadhaar Enabled Payment System, to be launched

AADHAAR

Action: BHIM, an Aadhaar-based app, was launched on Ambedkar Jayanti in April 2017

One crore houses to be built for the houseless and those living in kutcha houses under Pradhan Mantri Awaas Yojana-Gramin by 2019

Action: 18.04 lakh houses were built in 2016-17 and 2017-18 according to data on Rural Development Ministry website

Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) and Skill Strengthening for Industrial Value Enhancement (STRIVE) programmes to be launched for vocational training

Action: Cabinet Committee on Economic Affairs approved the two programmes in October. Both skill development programmes are to be implemented with World Bank assistance

Drugs and Cosmetics Rules to be amended to ensure availability of drugs at reasonable prices and promote use of generic medicines

Action: Drug Technical Advisory Board, the advisory body on drugs, has approved amendments to the Drugs and Cosmetics Act. Several amendments are being notified

Central public sector enterprises to be strengthened through consolidation, mergers and acquisitions. An integrated public sector oil major to be created

Action: ONGC announced acquisition of government's stake in HPCL on January 20. The acquisition will lead to ONGC becoming a vertically integrated oil major

Taxation U-turns, land acquisition issues pull down SEZs

BINDU D MENON

Mumbai, February 1

When the Maharashtra government decided to turn Navi Mumbai Special Economic Zone (SEZ) into an industrial city, not many were surprised.

The SEZ, which was to be jointly developed by the Reliance Group, Jai Corp, SKIL Infrastructure and City and Industrial Development Corporation (Cidco), had failed to take off owing to mismatched policy expectations and taxation changes.

There are similar stories coming from across the country about SEZ developers either denotifying their projects or stalling work.

AN IDEA THAT FLOPPED

Modelled on China's vast industrial corridor and touted as a self-contained industrial enclave to support manufacturing activity, SEZs as a policy have failed to achieve their desired purpose.

Players say SEZs became booming centres for IT/ITES to avail tax incentives by shifting them from domestic tariff areas. While the IT/ITES sector flourished, manufacturing floundered due to flawed taxation and execution issues. Additionally, Minimum Alternate Tax (MAT) levies made SEZs unattractive to prospective investors.

China model

"Indian SEZs were modelled on their Chinese counterparts. While the Chinese SEZs flourished, SEZs in India didn't meet the desired objectives. Challenges like availability of large contiguous chunks of land, taxation related issues and lack of adequate talent were some of the key challenges," says Neeru Ahuja, Partner, Deloitte.

Introduced as a policy in 2000 by the then NDA government, the SEZs Bill was approved by both Houses of Parliament in May 2005.

The aim was to create export-led categories with tax and duty concessions. The aim was to include key sectors such services, manufacturing, mining and agriculture. By April 2011, the Centre had 'formally approved' a whopping 584 SEZs (with 377 notified to begin operations).

FACTOIDS

- **Who did it:** Yashwant Sinha
- **When:** 2000
- **Why:** To boost local manufacturing and exports
- **Status:** Other than IT/ITeS, most other SEZs are struggling

As on September 30, 2017, there were about 222 operational SEZs, 356 notified SEZs plus seven Central SEZs and 11 State/PVT SEZs.

Close to 18 lakh persons are employed in the SEZs and it has generated exports worth ₹2,66,773 crore in 2017-18.

Former Commerce and Home Secretary GK Pillai notes: "SEZ as a policy has not worked because of lack of stability in government decisions. Taxation related issues and no clear guidelines on land acquisition were a challenge. The export numbers from SEZs would have been much higher if the government had given clear policy guidelines."

In 2011, the Finance Ministry imposed a MAT which sought 18.5 per cent tax on booked profits. Under the original scheme, businesses in SEZs were exempted from MAT on book profits and developers were exempted from payment of dividend distribution tax (DDT).

Tax shock

This was a major blow to the industry, which raised a hue and cry over the policy reversal.

Additionally, contiguous land, which was a staple for large manufacturing parks, was unavailable.

Activists group and farmers began protesting the acquisition of land, which lead to project delays.

Ahuja of Deloitte notes: "With taxes being levied, the savings for companies on account of tax concessions were reduced, impacting interest in SEZs. In policies like these you cannot give with one hand and take with the other."

Lack of clarity

Several developers such as DLF, Parsvnath and Shriram Properties, which acquired land for developing SEZs, denotified them in 2013 owing to slow demand and lack of clarity on MAT.

A 2014 CAG report points out that 52 per cent of the land approved for allotment to SEZs remains idle and SEZs have not had any significant impact on economic growth, trade, infrastructure, investment or employment.

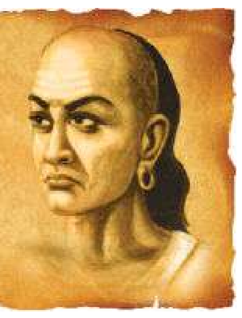
Ajay Sahai, DG and CEO, FIEO, says: "The SEZ profile is not diversified. Even if we look at the current exports from SEZ, a large chunk comes from IT/ITES and petroleum.

The concept of SEZ is good and in GST regime it will be beneficial to players as all inputs can be found in one place. The government needs to look at SEZs from a holistic perspective and remove deficiencies."

वल्लभैः कार्मिकैः स्तेनैरन्तपालैश्च पीडितम् ।
शोधयेत्पशुसंघैश्च क्षीयमाणं वणिक्पथम् ॥

"Trade routes shall be kept free of harassment by courtiers, state officials, thieves and frontier guards..."

[2.1.38]



FROM OUR RESEARCH BUREAU

Meera Siva

Infra firms build on higher funding

The change

The various measures announced in the Budget for infrastructure are quite positive for the sector. Inland waterway projects are progressing well and are set to see continued thrust. This will provide a boost to players such as Dredging Corporation of India.

Also, the focus on water supply in the AMRUT programme as well as higher spending on the Watershed Development Component of Pradhan Mantri Krishi Sinchayee Yojana will help infrastructure players such as ITD Cementation.

Road developers are also set to benefit from the strong execution in projects and allocation to Bharatmala programme. Work executed by the Border Roads Development Board and the allocation to North East Road Sector Development Scheme will aid EPC players such as L&T and Sadbhav Engineering.

Higher allocation of funds for port development can turn out to be positive for toll road operators and logistics players as well, besides port infrastructure developers. This is because better port facility and good connectivity boost cargo volumes and vehicle traffic. These measures, along with faster toll collections with Fastags on vehicles will benefit toll road operators such as Ashoka Buildcon and IRB Infra.

Takeaways

- Higher fund allocation
- Focus on various segments
- Good pace of project execution

The background

The infrastructure sector has been upbeat over the last few years, thanks to the government focus on the sector. That said, road project developers have been facing funding issues, as bank funding has been drying up. Moves such as the launch of InvITs have given a boost to the sector and players with a strong balancesheet have been able to build their order book.

Besides roads, other infrastructure developers such as those in warehousing, port, waterways and airports have also been upbeat. The positive sentiment is likely to continue, as many of the structural issues have been resolved over the years. The key to growth is the availability of private funding, which could be aided by the growth in the bond market.

The BSE India Infrastructure Index has increased 25 per cent in the last year. The stock price of players such as Dilip Buildcon has run up over 250 per cent as there has been a steady stream of projects and pick-up in the pace of completion.'

The verdict

The Budget has delivered along expected lines and the measures will help build on the enthusiasm in the sector.

TWEETOSPHERE

I congratulate FM @arunjaitley for presenting a practical & progressive budget, covering all major economic and social segments of the country. There is a big impetus on agriculture, infrastructure and healthcare

Prashant Ruia

Chairman, Essar Group

Strands of discontent in the textile industry

The sector wants higher duty drawback rates, refund of State levies

AMITI SEN

New Delhi, February 1

The Budget allocation for the labour-intensive textiles sector — which provides jobs to about 45 million people — increased 14.7 per cent over the previous year to ₹7,148 crore.

The rate of growth in allocation for the new fiscal, however, is less than half the increased allocation of over 30 per cent to ₹6,226.5 crore in 2017-18.

The textile sector, which is facing double trouble in the form of lower exports, especially of garments, and higher imports from countries such as Bangladesh, had sought higher rates of reimbursement under the duty drawback and refund of State levies (ROSL) following the implementation of the new GST regime.

It also demanded higher disbursement under the Amended Technology Upgradation Fund Scheme (ATUFS).

"Adequate budgetary allocation for schemes such as refund of State levies and interest subvention benefits can help improve competitiveness of textile exporters and boost export growth," industry analyst ICRA had said in a pre-Budget note.

While allocation for the ATUFS has been raised to ₹2,300 crore in 2018-19 from ₹1,956 crore in 2017-18, it is still lower than the allocation of ₹2,622 crore in 2016-17.

Provision for ROSL for 2018-19 is higher at ₹2,222 crore compared to ₹1,939 crore last year, but the ROSL rates remain unchanged.

"The industry was hoping for some support to mitigate the financial crunch, especially because it faced a severe reduction in the drawback and RoSL benefits. The industry is looking forward to increased interest subvention from the existing 3 per cent to 6 per cent, to help stay competitive, as several other countries have much lower interest rates," pointed out HKL Magu from the Apparel Export Promotion Council.

As per industry calculations, under the new GST and drawback rules, reimbursements of taxes for the sector has dropped to the extent of 7 per cent (of the value of exports), whereas an additional incentive of 2 per cent was given to the sector in the foreign trade policy review in December. This resulted in a shortfall of 5 per cent, leading to a fall in exports, according to AEPC.

Exports down

Export of garments and textiles fell 3 per cent in December 2017 to $2.99 billion, although in the April-December 2017 period it grew 2 per cent at $26.13 billion.

According to figures compiled by textile body CITI, India's imports of garments from Bangladesh increased 66 per cent to $111.3 million during July-December 2017 compared to $66.9 million in the same period last year.

Fiscal support The textile industry is looking forward to increased interest subvention from the existing 3 per cent to 6 per cent BLOOMBERG

Airports set to move 1 billion passengers a year

K GIRIPRAKASH

ASHWINI PHADNIS

Bengaluru/New Delhi, February 1

Hours after the Union Finance Minister, Arun Jaitley announced that the Airports Authority of India (AAI) will upgrade several airports, its chairman disclosed that the state-owned airport developer plans to spend ₹14,000-₹15,000 crore in the next fiscal for the creation of new airport terminals.

Guruprasad Mohapatra, Chairman, Airports Authority of India, told *BusinessLine* that the AAI will expand the capacity of 124 airports through the new investment.

The regional air connectivity scheme (Udan) will also be expanded to connect 56 unserved airports and 31 unserved helipads.

Regional slots

While most stakeholders have lauded the government's move to expand airport capacity, the initiative may come unstuck if metro airports, mostly run by private enterprises, resist the Centre's move to allot slots for regional airlines.

The Budget proposes to expand the capacity of airports five times to cater to one billion passengers a year (No timeline was mentioned). As of now around 100 million travel by air in the country, of whom only 25-30 million are frequent flyers.

Capt GR Gopinath, the pioneer of low-cost airlines in the country, termed the initiative 'visionary and transformative'. He said the main metro airports have about 80 per cent of the traffic, which makes for skewed growth.

"For Udan to succeed, you need connectivity from regional airports to the metros. But the metros are not allocating slots for regional airlines," Capt Gopinath said.

IATA's country director, India, Amitabh Khosla said there was a big question mark on capacity, adding that, "Navi Mumbai airport is still a distant dream. In the meantime, Mumbai continues to fall behind in aviation activity, and Maharashtra is unable to maximise the economic potential that can be delivered by aviation. We urge the government to urgently look at innovative approaches to bridge the infrastructure shortfall."

Spicejet's CMD Ajay Singh welcomed the initiatives taken by the government and said this will help boost regional connectivity. Peeyush Naidu, a partner with Deloitte, said, "We have everything to gain by bringing different players on to a common platform.I can't see a more reformist agenda than this,"

The Budget proposes to expand the capacity of airports to cater to 1 billion trips a year

VISUALLY | LOKESHWARRI S K

Roads & Highways: On the fast lane

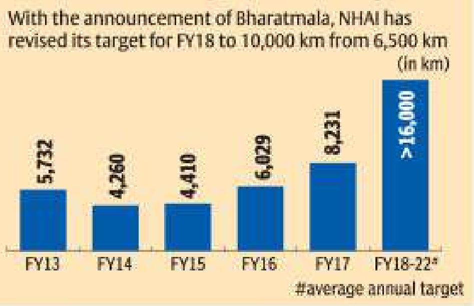
Road and highway construction has been the lone bright spot in an otherwise declining capital spends scenario. The ambitious Bharatmala Project announced in October 2017 will give a further fillip to this segment

In a sweet spot

Budgetary allocation to MORTH (Ministry of Road Transport and Highways)

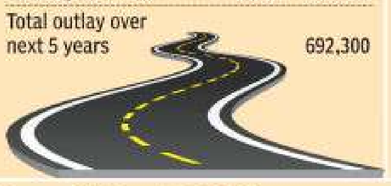
Road construction grows at a steady rate

With the announcement of Bharatmala, NHAI has revised its target for FY18 to 10,000 km from 6,500 km



Ambitious targets in Bharatmala

Bharatmala Phase I between 2018 & 2022	Length km	Outlay ₹ crore
Economic corridors	9,000	120,000
Inter-corridor & feeder roads	6,000	80,000
National corridors efficiency improvements	5,000	100,000
Border & international connectivity roads	2,000	25,000
Coastal & port connectivity roads	2,000	20,000
Expressways	800	40,000
Balance road works under NHDP	10,000	150,000
Roads under other existing schemes	48,877	157,300
Total outlay over next 5 years		692,300

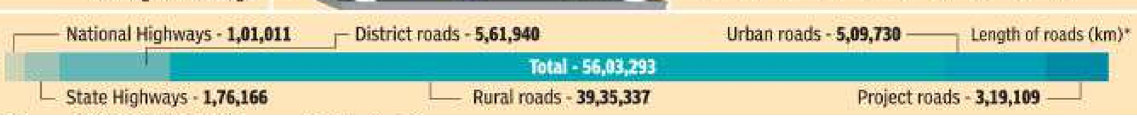


Funds from multiple channels (₹ crore)

	Bharatmala	Other schemes
CRF* for national highways	139,700	97,300
Gross budgetary support	-	60,000
Monetisation of NH	34,000	-
Toll collection of NHAI	46,000	-
Market borrowings	209,300	-
Private investments	106,000	-
*Central Road Fund	**535,000**	**157,300**

National highway construction picks up pace since 2010

India has among the most extensive road networks



*As on March 31, 2016

Source: MORTH, IIFL Wealth Management, Union Budget

GRAPHIC: KS GUNASEKAR

More funds to give wings to UDAN scheme

ASHWINI PHADNIS

New Delhi, February 1

Carrying forward the government's Regional Connectivity Scheme (RCS) or UDAN, Budget 2018-19 provides, ₹ 1,014.09 crore for operating flights to tier II and tier III cities within the country during 2018-19. This is a five-fold increase from the ₹200 crore made available in the previous year.

The over ₹1,000-crore corpus will be used to provide Viability Gap Funding (VGF) for flights being operated under RCS. The scheme hopes to get the common man fly by connecting tier II and tier III cities in the country.

The scheme seeks to incentivise airlines and operators with the government providing Viability Gap Funding to make operations to these cities profitable. Under the scheme, airlines are required to provide at least 50 per cent of the seats on every flight at ₹2,500 for one hour of flying. The ceiling of subsidised seats is 40, while the minimum number of seats on an aircraft which have to be offered to avail VGF is 9.

The ₹1,014.09-crore for VGF will come from the dividend that Airports Authority of India will be paying to the government in 2018-19. The Ministry of Civil Aviation had written to the Finance Ministry seeking that a portion of the dividend being paid by AAI be used to part fund the VGF requirements for UDAN. The Budget also talks about Nex-Gen Airports for National Accreditation Board for Hospitals & Healthcare Providers (NABH), but what these will look like was not immediately clear as officials declined to comment on the proposed structure of these airports.

A brick-by-brick approach to 'Housing for All'

RASHMI PRATAP

Mumbai, February 1

The year was 1999 and the Indian real estate sector had been in the doldrums following the South Asian financial crisis as well as pressure on the Indian currency and high interest rates. Between mid-1995 and 1998, prices had fallen a bruising 40 per cent and a recovery was nowhere in sight. It was in this scenario that then Finance Minister Yashwant Sinha presented a Budget that went a long way in resurrecting the sector.

AN IDEA THAT WORKED

In Sinha's words: "The fiscal incentives are focussed at the middle-class investors wishing to purchase a dwelling unit." To begin with, he more than doubled the tax deduction on interest on housing loans for self-occupied houses from ₹30,000 to ₹75,000, besides changing foreclosure laws to promote housing mortgages. He announced an amendment that would treat housing projects as infrastructure to give a fillip to construction activities in smaller towns.

"It was a visionary Budget with overdues that were required to kick-start the market. It laid the foundation for other budgets to improve upon and solve the housing crisis in the country," says Samir Jasuja, founder and MD of PropEquity.

Sell to recover

To develop the primary and secondary markets for housing mortgages, Sinha announced simplification of legal provisions for foreclosure and transfer of property through amendments in the National Housing Bank Act. As a result, housing finance institutions could recover their overdues by sale of property that was deemed as security for the loan granted.

"Post that, the mortgage industry opened up in real estate. And the market grew in the real sense from 2000 till 2005, helped by low interest rates and housing finance companies. Mortgage industry players like HDFC, ICICI propelled the market," says Pankaj Kapoor, MD of real estate consultancy, Liases Foras.

Factoids

- **Who did it** Yashwant Sinha
- **When** 1999
- **Why** to help middle class investors buy a house
- **Impact** Real estate sector recovered from downturn and sales zoomed in the next few years

"By making changes in foreclosure laws and providing a liberal tax treatment programme on NPAs for housing finance companies, he paved the way for improving demand in the housing segment," says Anshuman Magazine, Chairman, India and South-East Asia, CBRE.

Sinha had also announced the Golden Jubilee Rural Housing Finance Scheme of NHB to target 1.25 lakh units in 1999-2000. He strengthened housing finance companies through a liberal tax treatment of income on non-performing assets. Moreover, commercial banks could lend up to three per cent of incremental deposits for housing.

Younger buyers

With the increase in tax exemption, the end user was encouraged to invest. "A lot of people moved in to buy properties when the market was coming out of a recession. The pricing was very efficient. With measures like increased tax exemption and such steps to housing finance companies, the average age of the consumer reduced to 35 years," Kapoor said.

Till 1998, to enjoy a tax holiday under Section 80IA of the Income Tax Act, the built-up area of dwelling units had to be under 1000 sq feet. He raised the limit to 1500 sq ft, expanding the exemption limit. National Housing Bank even reduced interest rates for small borrowers.

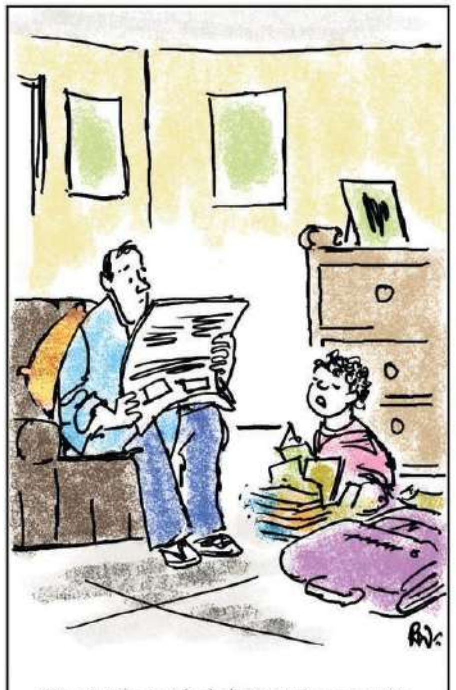
"The new NHB scheme for interest rate concessions for small borrowers was targeted at making housing available to the lower segments of society. The first seeds were sown to make 'owning a home' reality for all," says Magazine.

Jasuja says the steps were similar to those being taken by the Modi Govt to promote housing. "Never before had such drastic measures for housing had been announced."

Earlier, people would purchase property post-retirement and the number of transactions was limited. "These measures created an efficient phase where houses were affordable. Yashwant Sinha gave an impetus to the market when it was needed the most," he says.

Within a year of this Budget, housing sales began to gather pace and by 2001-02, the sector was at its peak — both in pricing and sales growth. With real estate facing turbulent times again now, the sector needs similar path-breaking measures to revive.

POCKET



"Don't take a risk, dad! Next time you give me my pocket money, provide me with your Aadhar number, too."

FROM OUR RESEARCH BUREAU

Radhika Merwin

Bond markets in for a rocky ride

The Change

Caught between the devil and the deep blue sea, the Centre chose to up spending and slip on its fiscal deficit target. The Centre has achieved fiscal deficit of 3.5 per cent for FY18 against its budgeted 3.2 per cent. What is particularly a cause of worry for bond markets is that the Centre has also chosen to offer itself some leeway in the next fiscal —setting the fiscal deficit target to 3.3 per cent, against 3 per cent earlier. The Finance Minister, not playing entirely by the book, is sure to upset bond markets. The yield on the 10-year G-Sec has inched up by 10 bps already.

The background

While the Centre more or less seems to have met its target for FY18 on the receipts front, it has overshot its expenditure target. From a budgeted growth of 6.5 per cent, expenditure is pegged to grow 10 per cent in FY18. The miss on the fiscal deficit target has been mainly on this count. Direct tax got a fillip from higher-than-expected growth in corporate tax. The shortfall in non-tax revenues on account of lower dividend payout by the RBI has been offset by robust disinvestment proceeds. For FY19, the Centre has assumed a similar 16.6 per cent growth in taxes, with direct tax taking a slight knock, but indirect taxes expected to grow at a much higher pace — from 9.9 per cent in FY18 to 19.2 per cent in FY19. This should more or less be achievable. On the non-tax and capital receipts front too, there doesn't seem anything amiss. While receipts from dividends are kept flat, disinvestment target has been kept reasonable. After achieving a whopping ₹1 lakh crore in FY18, it has set a lower ₹80,000 crore which given the Centre's plan to list 14 CPSEs, including two insurance companies, seem achievable. On the expenditure front, the Centre has again maintained a 10 per cent growth for FY19, positive for growth but weighing on fiscal deficit.

Takeaways

- Receipts forecast achievable
- Upping spending leaves little headroom for slippages
- Underlying growth can disappoint

The verdict

By factoring in a healthy expenditure target and a jump in indirect taxes, the Centre has kept very little wiggle room for slippage in FY19. The joker in the pack still is underlying growth, which could upset the fiscal deficit target. The Centre has assumed a higher 10 per cent growth in nominal GDP for FY18 (up from 9.5 per cent as per CSO's first advance estimates). It assumes a higher 11.5 per cent growth in FY19. While the higher government spending could drive growth, the targeted growth figure still looks ambitious. Gross market borrowing stands at ₹5.99 lakh crore in FY18, up from ₹5.8 lakh crore budgeted earlier. For FY19, this figure goes up marginally by 1 per cent to about ₹6.05 lakh crore. The net borrowing at ₹4.6 lakh crore however is up 3 per cent. All in all investors need to brace themselves for volatility in bond markets. Bond yields have already spiked by about 80 basis points in the past three months. With inflation inching up and fiscal slippages taking centre-stage, bond yields can remain within a narrow range with an upward bias.

TWEETOSPHERE

Focus on dvlpment of rural eco, manf, infra,edu,ease of doing business, attracting invstmnts & encouraging digitization will propel India to one of the top eco leaders of the world

NK Minda,
President, ACMA

Budget blends fiscal prudence with economic needs: Jaitley

Relief provided to senior citizens, salaried people and business, says Finance Minister

SURABHI

New Delhi, February 1

Finance Minister Arun Jaitley on Thursday defended his Budget over criticism that it had not done enough for the middle class.

"In all my Budgets together, I have tried to put more money in the hands of the middle class," he said at his customary post-Budget press conference.

The Minister said the Budget has given relief to salaried taxpayers, senior citizens and businesses.

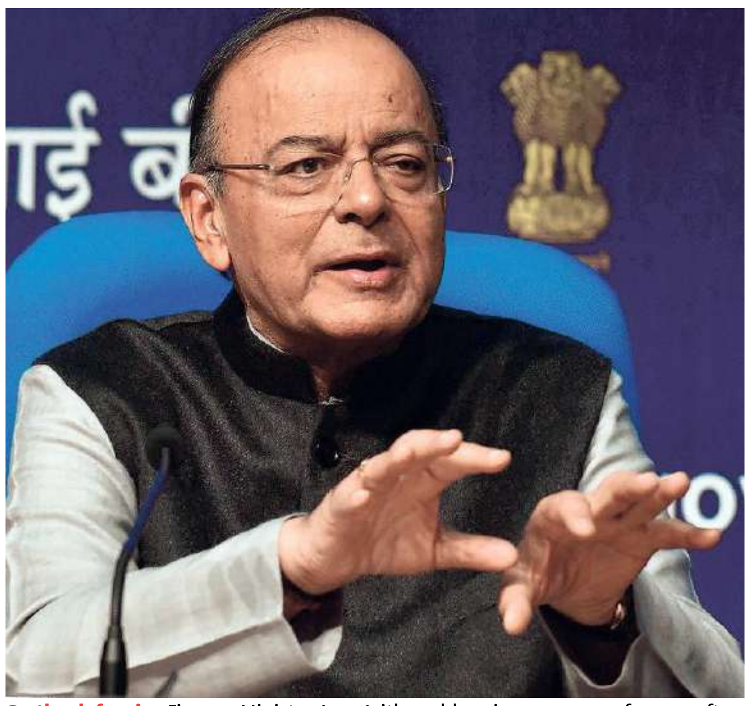
"We have recognised the contribution of 2.5 crore people and have re-introduced a standard deduction of ₹40,000 for all of them," he told reporters.

With increasing longevity, senior citizens have become an important part of the middle class, the Minister said.

The Budget has proposed a slew of measures to protect senior citizens from the falling interest rates, including higher exemptions on income from interest on bank and post office deposits, health insurance premium and critical illness expense.

The Finance Minister also said the proposal to lower the corporate tax to 25 per cent for companies with an annual turnover of up to ₹250 crore will also help the middle class.

"I have not forgotten businesses either. They are a strong part of the middle class," he said, adding the lower tax rate will also give them more investible surplus.



On the defensive Finance Minister Arun Jaitley addressing a press conference after presenting the Budget, in New Delhi , on Thursday KAMAL NARANG

Commenting on the main priorities of his Budget, the Minister said that "it blends fiscal prudence with the requirements and the needs of the economy today".

Support for sectors

Jaitley said that the main focus of spending in the Budget was sectors that required maximum support such as agriculture and rural areas and economically weaker sections.

While he has tried to maintain the fiscal deficit in previous years, he said that 2017-18 was proving to be an unusual year with different circumstances, which led to relaxation of the fiscal deficit targets.

In this regard, the additional resources raised from the long-term capital gains tax would be used to maintain the fiscal prudence and meet expenditure.

"Any gain in capital from February 1 is taxable. The rate is however, lower than the short term capital gains tax," he said.

The Budget has proposed a 10 per cent long-term capital gains tax on all such gains from February 1, 2018.

'Health scheme will get more once its contours are clear'

Provisional funding of ₹2,000 cr made for FY19, says Expenditure Secretary AN Jha

SURABHI

New Delhi, February 1

The Centre's new flagship health cover scheme, the National Health Protection Scheme, has been given a provisional allocation of ₹2,000 crore for 2018-19, but it will be increased later when the contours of the scheme are finalised.

"Further provision of funds will be done once the details of the scheme are worked out. We will see what type of a model it will be developed on — trust or insurance company," Expenditure Secretary AN Jha told reporters soon after the Budget was tabled in Parliament.

AN Jha, Expenditure Secretary

Finance Minister Arun Jaitley had announced the new scheme, which would cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing an annual coverage up to ₹5 lakh per family for secondary and tertiary care hospitalisation.

"This will be the world's largest government funded health care programme. Adequate funds will be provided for smooth implementation of this programme," Jaitley had said.

Incidentally, the government in the last Budget had also announced a similar scheme with an allocation of ₹1 lakh per family. It never took off. The Finance Ministry also took pains to explain that the new scheme would be different from the health insurance plan of Rashtriya Swasthya Bima Yojana (RSBY), which was launched by the previous UPA government in 2008.

"RSBY gave a cover of only ₹30,000 and was for a limited group of people," Jha said, responding to a query, adding that the new scheme has a very large captive group and would function differently.

'Not an inflationary one'

The government also stressed that the Union Budget would not have an inflationary impact despite the increase in the minimum support price and higher cess. "There will be no serious impact on inflation from these measures," said Economic Affairs Secretary Subshash Chandra Garg.

Explaining the rationale to levy a ₹8 per litre road cess on petrol and diesel, Chief Economic Advisor to the Finance Ministry Arvind Subramanian said that it would help increase revenue gains to the Centre when oil prices increase. "State taxes on fuel also have an ad valorem component," he pointed out.

Subramanian also said that the bond and equity markets have behaved maturely as the government has stuck to its commitment of "steadfast" fiscal consolidation despite relaxing the fiscal deficit targets. "This is a special year," he said.

The Economic Affairs Secretary noted that the target for three per cent fiscal deficit has not been shifted to 2020-21. "This is not far way. It is only three years away," he said.

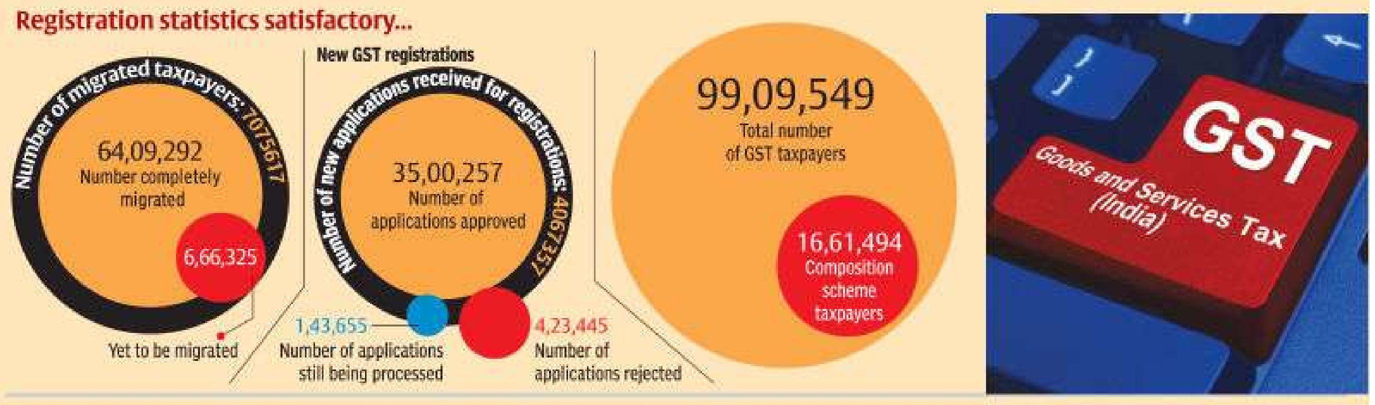
Finance Secretary Hasmukh Adhia said the Centre is facing shortfall of ₹50,000 crore from the Goods and Services Tax (GST) in 2017-18.

VISUALLY | LOKESHWARRI S K

GST: Procedural issues pose a threat

Despite a fairly smooth migration, GST compliance is an issue. The returns filing process is also in shambles

Registration statistics satisfactory...



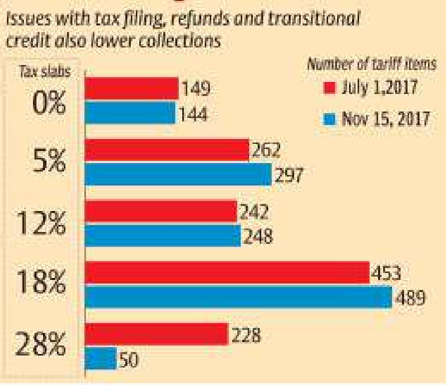
...but returns filed are low due to user unfriendly GSTN

	GSTR 3 (B)	GSTR 1	GSTR 2	GSTR 4
July 2017	60,70,288	51,30,289	56,11,071	25,72,552
Aug 2017	63,13,676	1055826	–	–
Sept 2017	63,82,942	27,27,704	–	–
Oct 2017	5989397	7,80,849	–	–
Nov 2017	56,11,071	2,89,386	–	–
Dec 2017	56,30,000	5,414	–	–

GST mopup is down

Due to lowering of tax rates

Issues with tax filing, refunds and transitional credit also lower collections



Source: CBEC

GRAPHIC: VISVESWARAN V

How service tax became revenue lifeline for the Govt

Initially levied on three sectors, the tax was expanded to all services in 2012, before it was merged with the GST last year

RASHMI PRATAP

Mumbai, February 1

When Manmohan Singh introduced service tax at a meagre 5 per cent while presenting the 1994-95 Budget, little did he know that it would become one of the biggest sources of revenue for the government in the years to come. Levied only on three items then — telephones, non-life insurance and stockbrokers — the tax brought in ₹407 crore in the first year. And in FY17, the fiscal before it was merged with the Goods and Service Tax (GST), its collection stood at a whopping ₹2,47,500 crore.

AN IDEA THAT WORKED

"From the Government's perspective, service tax not only worked well, but turned out to be a major source of revenue, bringing in one-third of the indirect tax collection. The success of any tax is not limited to the revenue it generates, but also the investment climate it creates. By and large, the services sector has witnessed a phenomenal growth in the last two decades, pointing to the success of this tax," says Anita Rastogi, Partner-Indirect Tax at PwC India.

Well taxed

The introduction of service tax find its roots in recommendations of the Dr Raja Chelliah Committee on Tax Reforms, which called for the imposition of the tax to broaden the indirect tax base. And it served that purpose well.

After economic liberalisation in 1991, a host of MNCs were setting up shop in India and taxing their services was a logical move at a time when services were bringing in 40 per cent of the country's GDP. After 1994, the Government went on to add more services to the taxable list, including hospitality, transport, broadcasting, financial and real estate services. By the year 2016, the services sector was the major economy driver, clocking a growth of 66 per cent.

FACTOIDS

- **Who did it** — Manmohan Singh
- **When** — in 1994
- **Why** — Services contributed 40 per cent to the GDP but were not taxed at all
- **Impact** — From **₹407 crore** in 1995 the service tax collection zoomed to **₹2.5 lakh crore** in FY17

"With the growth in export of services, the sector also generated foreign income. The last few years have also witnessed a phenomenal growth of digital and e-commerce related services. This move of the Government turned out to be extremely rewarding as the focus of the Indian economy became more service oriented in the decades to come," says Rashmi Deshpande, Associate Partner at law firm Khaitan & Co.

Aditi Nayar, Principal Economist at ICRA, points out that service tax was one of the fastest growing components of the Government's major tax revenues in FY08, displaying a robust CAGR of over 19 per cent between FY08 and FY17. "This partly benefited from the expansion of the list of taxable services," she says.

While 116 services were being taxed up to 2011, all services were taxed post 2012 with the introduction of negative list (of services which were not taxable). The Budget 2016 imposed Krishi Kalyan Cess on all taxable services at 0.5 per cent, which put the effective service tax rate at 15 per cent.

One with GST

However, last year, with the introduction of GST, service tax lost its identity and merged with the mega tax. "It was a good idea to bring services into the ambit of GST. That is very much in line with international practice of considering goods and services as one for the purpose of taxation," says Crisil Chief Economist Dharmakirti Joshi.

Deshpande points out that the biggest advantage of merging the two was the availability of credit, which was restricted in the VAT and service tax regime. "Moreover, in many sectors, the problem of identification of a particular transaction whether amounting to 'goods' or 'services' led to a plethora of litigation, which seemed to have resolved to some extent," she says.

According to Rastogi, today's taxpayers have expanded their horizons and the same asseesee supplies both goods and services. "So by putting him onto multiple administration, even in GST, would not have served any purpose. Services did not warrant exclusion from GST and has been rightly merged with other taxes," she adds.

BUDGET 2014-15

ANNOUNCEMENTS & ACHIEVEMENTS

The first Budget presented by Arun Jaitley after NDA won 2014 General Elections. The main theme of the Budget was "Sab ka Saath Sab ka Vikas" and the primary objective was to revive economic growth that had slowed in the previous two years

Outcome of key announcements

GST will be implemented

Action: The new tax regime was finally implemented on July 1, 2017. After a chaotic beginning, the tax structure has been rationalised and the compliance burden eased. But much more remains to be done

Bank shares to be sold to public to meet their capital requirement

Action: No movement on selling shares to public. Banks were recapitalized with tax-payers money

Develop 100 smart cities as satellite towns of larger cities

Action: 99 cities have been selected in four rounds through a competitive process. Work on redeveloping infrastructure and the retrofitting existing structures to make the city smart has begun

All households to have sanitation amenities by 2019 under Swachh Bharat Abhiyaan

Action: Large number of the household toilets have been constructed in urban and rural areas but States such as Bihar, Odisha and Uttar Pradesh continue to lag

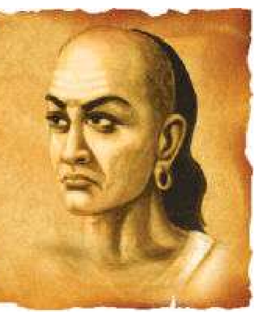
Digital India to ensure broadband connectivity at villages and online access to services

Action: Number of services provided through IT-enabled platforms has risen. 1.02 lakh gram panchayats have broadband connectivity but another 1.5 lakh can expect to be connected only by March 2019

दुर्गजनपदशक्त्या भृत्यकर्म समुदयपादेन स्थापयेत्,
कार्यसाधनसहेन वा भृत्यलाभेन

"The [total] salary [bill] of the state shall be determined in accordance with the capacity [to pay] of the city and the countryside and shall be [about] one quarter of the revenue of the state."

[5.3.1]



BOOST FOR MSMES

Daksha Baxi

Getting funds for small units

The government has recognised that demonetisation has negatively impacted the Micro, Small & Medium Enterprises significantly. Added to this is the need for them to comply with Goods & Services Tax.A large number of MSMEs deal with large corporations and that necessarily needs them to be registered under GST. While the GST Council has attempted and continues to work on easing compliances, the fact remains that they need easy access to working capital requirements.

It has been recognised that this sector can create significant job opportunities and hence the cash flow challenges faced by this sector need to be addressed. Towards this objective, the Finance Minister has taken a dual approach for MSMEs. First one is in terms of the ease of financing and the second is by way of tax concession.

He has proposed that the public-sector banks and corporates will be on-boarded on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN. This will enable the MSMEs to get faster relief for GST input credits and unblock their funds.

He has also proposed to revamp the online loan sanctioning facility for MSMEs so the banks are able to take prompt decision to release funding. It is also proposed to set a target of ₹3 lakh crore for lending under MUDRA yojana, which will also benefit the MMSMEs. It is recognised that NBFCs can be powerful vehicle for delivering loans under MUDRA. The government will review the refinancing and eligibility criteria set by MUDRA for better refinancing of NBFCs to assist in dissipation of loans to MSMEs.

Takeaways

- Faster relief for GST input credits
- ₹3 lakh crore for lending under MUDRA yojana
- Strengthening alternative investment funding channel

Alternative funds

Recognising that venture capital funds and angel investors also help in the growth of MSME sector, he has promised to further assist the alternative investment funds regime to strengthen the environment for their growth and successful operation in India. The industry body representing this industry has already made several proposals to the Finance Ministry and it can be hoped and expected that their recommendation will get addressed to achieve the objectives set by the Finance Minister.

On the tax side, the Finance Minister has extended the reduced 25 per cent tax rate to companies with turnover not exceeding ₹250 crore. The jump for this lower tax rate from a threshold of ₹50 crore to ₹250 crore is significant and will benefit almost all the MSMEs. It would help them more if they were to be exempted from the levy of minimum alternate tax. MSMEs engaged in the manufacture of apparel and footwear and leather products would get a deduction of 30 per cent of additional employee cost incurred. The minimum number of days the employee has to be employed has been reduced to claim such benefit.

(The writer is Executive Director, Khaitan & Co)

Jaitley's 'vetaal' problem: the fiscal deficit

With global crude oil prices firming up, the Finance Minister has his task cut out

RICHA MISHRA/KR SRIVATS

New Delhi, February 1

A confident Arun Jaitley, when presenting the last full Budget of this government, said that things have only improved for the economy since July 2014. But, has the situation improved?

Pointing at the growth levels, Jaitley said as against GDP growth of less than 5 per cent in the last two years of UPA-II regime, India has recorded an average 6.5 per cent growth in the first three years of this government.

Inflation certainly is no longer in the double digit levels as it was during the UPA-II regime. Exports have also looked up since the tepid levels in 2014.

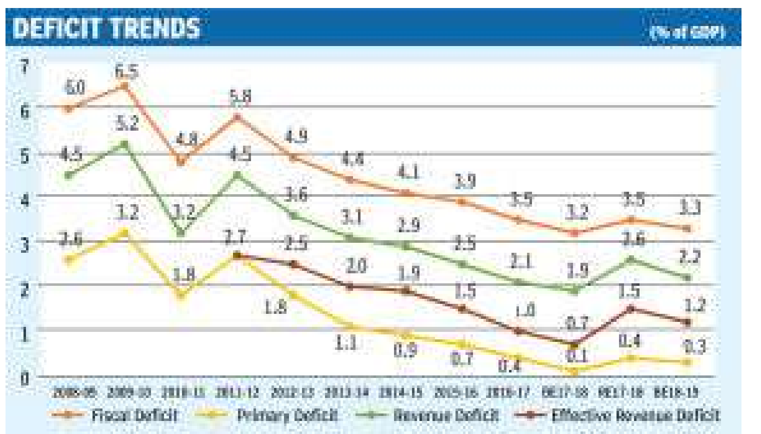
Of course, critics will be quick to point out that Jaitley rode the benefits of softening global crude oil prices trend, not passing the benefits lower prices to the consumers. However, the era of oil derived gains are coming to an end with global crude oil prices ruling firm in recent weeks.

In fact, even the Finance Minister does not want to take a bet on it and said that it is beyond the comfort zone.

The price at which India refiners are buying their crude on January 30 stood at $66.86 a barrel. From the second half of 2014-15 Jaitley had enjoyed the advantage of low oil prices, with average price for the full fiscal 2015-16 hitting $46.14 a barrel and in 2016-17 $47.56 a barrel.

In 2017-18 from April 2017 till January 30 the average was at $ 55.01 a barrel.

The after effects of rising crude oil prices, GST, and demonetisation, coupled with the banking reforms have restrained Jaitley's spending powers and also made him revise his fiscal deficit target. Financial inclusion got the maximum emphasis in the first two years through the Jan Dhan Yojana, enabling large section of India to get banking accounts.



Between April and December 2017, the Centre's fiscal deficit exceeded the Budget Estimate by 13.6 per cent to amount to ₹6,20,949 crore.

Data released on Thursday showed that the revenue deficit too had overshot the full year target by 39.5 per cent to ₹4,48,737 crore in the period under review.

"Our government assumed office in May 2014 when the fiscal deficit was running at very high levels. Fiscal deficit for 2013-14 was 4.4 per cent of GDP. The Prime Minister and the government have always attached utmost priority to prudent fiscal management and controlling fiscal deficit… we embarked on the path of consistent fiscal reduction and consolidation in 2014," Jaitley said in his speech.

"The fiscal deficit was brought down to 4.1 per cent in 2014-15 to 3.9 per cent in 2015-16, and to 3.5 per cent in 2016-17," he said. But, for 2017-18 the Finance Minister has found himself revising the estimates to 3.5 per cent of GDP from the earlier target of 3.2 per cent. Even for 2018-19 the Jaitley has taken a target of 3.3 per cent lower than earlier target of 3 per cent.

The Finance Minister also acknowledged that in 2017-18, the Centre will be receiving GST revenues only for 11 months, instead of 12 months.

"This will have a fiscal effect. There has also been some shortfall in non-tax revenues on account of certain developments, including deferment of spectrum auction," he said.

This led to critics to question the timing of demonetisation and GST roll out. Some also felt that with delay in implementation of some of the key reforms, the Finance Minister has lost the opportunity of turning soft oil prices to his advantage.

PSU stake-sales to foot the bill for farm, social sector spends

Budget targets ₹80,000 crore from disinvestment in 2018-19

SURABHI

New Delhi, February 1

With higher expenditure plans for sectors including agriculture, health and education, the Centre will continue to depend heavily on revenue from stake sales in public sector units.

Accordingly, the Budget has targeted raising ₹80,000 crore as disinvestment proceeds next fiscal.

Though this is a tad lower than the revised estimate of ₹1 lakh crore from stake sales in 2017-18, it still amounts to the second highest target from PSU stake sales.

The Budget Estimate for disinvestment proceeds in 2017-18 was ₹72,500 crore.

Finance Minister Arun Jaitley also unveiled big ticket plans for stake sales in the next fiscal, including privatisation of state-owned Air India and merger and listing of three general insurance PSUs.

"Three public sector general insurance companies National Insurance Company Ltd, United India Assurance Company Ltd and Oriental India Insurance Company Ltd will be merged into a single insurance entity and will be subsequently listed," he said.

The Department of Investment and Public Asset Management (DIPAM) will also announce more exchange traded funds (ETF) in 2018-19, including a debt ETF.

Jaitley also announced that the Centre has approved listing of 14 PSUs, including two insurance companies, on the stock exchanges.

"The government has also initiated the process of strategic disinvestment in 24 CPSEs, including strategic privatisation of Air India," he added.

These would in effect be the first strategic stake sales by the NDA government in its current term, although it has been working on a blueprint for privatisation of PSUs.

Chief Economic Advisor to the Finance Ministry Arvind Subramanian had also listed privatisation of Air India as one of the key agenda for the government in the last year of its term in 2018-19.

Apart from the merger of state-owned ONGC and HPCL that yielded over ₹36,000 crore in this fiscal, analysts pointed out that a large part of the success of the Centre's disinvestment programme was due to the equity markets doing well and it would have to be seen whether it can be sustained.

Anis Chakravarty, Partner and Lead Economist, Deloitte India, said, "The disinvestment story is clearly a positive and there could be a positive surprise for the next year if the broader market sentiment holds positive."

Seeing export traction, Budget hikes provision for some schemes

AMITI SEN

New Delhi, February 1

Estimating a robust rise of 15 per cent in goods exports in 2017-18 — which could increase outbound shipments to an all time high of $316 billion — Finance Minister Arun Jaitley has increased allocations under the interest equalisation scheme (IES) and remission of state levies (ROSL) for exporters.

While there are no announcements directly benefiting a specific sector, exporters are positive about the higher allocations for IES and ROSL in Budget 2018-19 and are hopeful that more members of the community would benefit from the schemes as the rate of compensation remains unchanged. "The increased allocation from ₹1,100 crore to ₹2,000 crore for the IES for the current year and ₹2,500 crore for 2018-19 would help the export sector as it gives the scope to include merchant exporters and services exporters," said Ganesh Kumar Gupta, President, FIEO.

Under the IES, exporters are provided bank loans at lower interest rates with the Centre compensating the banks for the difference in rates.

More allocation

Similarly, enhanced allocation for ROSL, which compensates exporters for State levies, from ₹1,555 crore to ₹1,855 crore for the current fiscal and ₹2,164 crore for the subsequent fiscal will not only help in clearing the backlog but could also be used to extend the benefit to carpets, handicrafts and fabrics and yarn exports, Gupta added.

The imposition of 20 per cent export duty on graphite electrode has made engineering goods exporters unhappy.

"It is not clear why 20 per cent export duty has been levied on graphite electrode. This is contrary to the policy of the government to give an impetus to exports. The emphasis should be on removal of inverted duty structure on the import side wherein the priority should be to have more duty on finished products while raw material should be subjected to the lowest duty structure," said Ravi Sehgal, Chairman, EEPC.

The extension of fixed term employment facility for all sectors is also expected to benefit exporters. "It will allow exporters to provide additional jobs as and when they get export orders particularly in sectors where the demand is seasonal in nature," Gupta said.

At the projected growth rate of 15 per cent, exports in 2017-18 would increase to $316.85 billion which is higher than the previous high of $314 billion in 2013-14.

Last year, exports had increased by 5.17 per cent to $275.85 billion after two successive years of fall in outbound shipments.

TWEETOSPHERE

While industry applauds #Budget2018 , the farmers and SMEs must be dancing to 'ghoomar'.

Harsh Goenka
Chairman of RPG Enterprises

POCKET

"Thinking out of the box, I have an idea! How about car-loan-pooling?"

437

செயற்பால செய்யா திவறியான் செல்வம்
உயற்பால தன்றிக் கெடும்

Put off what should be done and you put your wealth at risk
Do it betimes and be sure its increase will be brisk

BOOST FOR RESEARCH

A booster dose for science and tech

TV JAYAN
New Delhi, February 1

Science and technology received a shot in the arm with Finance Minister Arun Jaitley increasing the outlay for research and development in the country by 7.5 per cent in Union Budget 2018-19.

The funds for agricultural, earth sciences and space research particularly saw an impressive double digit growth, pointing towards priorities set by the NDA government in its final Budget before the Lok Sabha polls next year.

Major science research agencies, including those in strategic areas, have been promised a total of ₹65,741 crore, which is 7.5 per cent more than the revised budgetary allocation of ₹61,192 crore in 2017-18.

While the Department of Atomic Energy was once again cornered the highest outlay of ₹21,518 crore, it included allocation for Nuclear Power Corporation India Ltd which manages several nuclear power plants across the country.

The Department of Space, on the other hand, witnessed the highest growth in allocation with its outlay going up by 17.7 per cent to ₹10,783 crore.

The government's priority for the farm sector is also reflected in higher allocation for the Department of Agriculture Research and Education (DARE). The outlay for DARE went up 11.6 per cent to ₹7,800 crore as compared with ₹6,992 crore in the previous fiscal.

There is a proposed 12.5 per cent hike in the budgetary allocation of the Ministry of Earth Sciences, which recently received a nod for extension of its National Monsoon Mission.

Agencies supporting basic science research too were favourably considered with the Department of Science and Technology (DST) getting an 8.2-per-cent in budgetary outlay to ₹5,135 crore.

The DST would set aside ₹900 crore for supporting extramural research projects through Science Engineering Research Board and another ₹720 crore for supporting innovation and technology development and deployment. The funds would also support 90 research projects in yoga and meditation. The DST was allotted funds to create a new mission on cyber physical systems which would focus on research, training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things.

Takeaways

- The Dept of Atomic Energy got the highest allocation
- Agriculture research got the second highest allocation
- Basic sciences too got an 8.2% hike in its outlay

TWEETOSPHERE

FICCI @ficci_india Even though a lot of Capex in road, shipping etc has started to move out of Budget, Gov. still will have to allocate more to Capex to ensure investments continuity, as private Capex growth is still a few quarters away

Rashesh Shah
FICCI President

Why is defence spending not booming?

Despite 7.8% rise in allocation, spending as percentage of GDP slumps; this is the lowest since 1962

NAYANIMA BASU
New Delhi, February 1

The defence spending has touched a low at 1.62 per cent of the planned GDP growth in 2018-19 even as the budgetary allocation for the sector was increased by 7.81 per cent at ₹2,95,511.41 crore from ₹2,74,114.12 crore in 2017-18.

"A number of initiatives have been taken to develop and nurture intrinsic defence production capability to make the nation self-reliant for meeting our defence needs. Ensuring adequate budgetary support will be our priority," said Finance Minister Arun Jaitley while presenting the Budget for 2018-19. A close look at the allocation reveals that this is the lowest ever drop in defence expenditure as a percentage of the GDP since 1962 when India was at war with China.

India's defence spending as a percentage of GDP has been declining steadily since 2013-14. Both China and Pakistan spend over 2 per cent of their GDP on defence.

Experts point out that allocations by the government remain frugal even at a time when the country is facing threats to its security not just from the borders with Pakistan and China, but also from challenges in the Indian Ocean Region.

Just last year the country was engaged in a bitter military face-off with China over Doklam region near the India-China-Bhutan tri-junction area for almost 73 days. And according to reports, China continues to remain actively present in the region.

"Transformation in defence production requires higher allocation. If the government is keen on promoting 'Make in India' in defence production then there has to be a proper infrastructure creation for that and that requires huge money. When you are operating under a low budget then all your mega acquisition plans become severely constrained," said Vikram Mahajan, Director (Defence and Aeropsace), US-India Strategic Partnership Forum (USISPF).

Out of the total allocation of ₹2,95,511.41 crore, only ₹99,563.86 crore has been set aside for modernisation of the forces and new defence purchases, while the remaining ₹1,95,947.55 crore has been allocated for revenue expenditure. In other words, bulk of the allocation is for the daily running expenses of the armed forces. "Focus continues to remain on addressing existing revenue expenditure requirements rather than allocation of capital for acquisition of new equipment. The modernisation process seems to have taken a backseat this year," said Kabir Bogra, Partner, Khaitan & Co.

Military strategists feel that the Indian Army is in a "sorry state" as it continues to use old armaments. It is in dire need of modern guns and ammunitions, combat vehicles and battle tanks. It has also been waiting for a future infantry combat vehicle for over 10 years now.

The Air Force is seeing a depleting squadron and is in urgent need of the latest fighter jets. The Navy is keen on new warships and nuclear submarines. According to Defence Ministry sources, defence projects worth around billions of dollars are simply not moving due to paucity of funds.

Private push

Meanwhile, the Finance Minister made a strong push on private sector participation to develop defence production and manufacturing in the country.

He said the government will soon be coming out with a "friendly" Defence Production Policy 2018 that will seek to promote domestic production by public sector, private sector and MSMEs. He also announced the creation of two defence industrial production corridors in the country.

"We have opened up private investment in defence production including liberalising foreign direct investment. We will take measures to develop two defence industrial production corridors in the country. The government will also bring out an industry-friendly Defence Production Policy 2018 to promote domestic production by public sector, private sector and MSMEs," he said. However, the industry is still waiting for the government's blue print on the way forward to promote these corridors and attract private sector investments.

Puneet Kaura, Managing Director & CEO, Samtel Avionics Ltd, said, "What remains to be seen is how much sops or tax benefits these industrial corridors bring to the private industry, and contribute to ease of doing business." Earlier this month, Defence Minister Nirmala Sitharaman had asked the Tamil Nadu State Government to work on a defence corridor connecting Kattupalli port, Chennai, Trichy, Coimbatore, Hosur and Bengaluru.

Ganesh Raj, defence and aerospace expert with EY India, feels that the new defence production policy has the potential to turn around India's defence manufacturing industry just as in the case of the auto sector. He said it will also give opportunity to the MSMEs to take part in defence production.

The armed forces are n dire need of modern equipment and armaments given the volatile border situation both in the eastern and western fronts PTI

VISUALLY | PARVATHA VARDHINI C

Direct tax collections get a boost

Lower than budgeted direct tax collections and declining share of corporate taxes have been a worry. However, steps taken to crackdown on tax evaders by the Modi government in the last two years are beginning to show results

Direct tax rates have come down

Case 1: Corporation tax (Domestic companies)

2008-09		2018-19			
Tax rate	30%	Turnover or gross receipts < ₹50 crore	25%	Others	30%

Case 2: Personal tax

2008-09		2018-19	
Up to ₹1.1 lakh	NIL	Up to ₹2.5 lakh	NIL
₹1.1 - 1.5 lakh	10%	₹2.5-5 lakh	5%
₹1.5 - 2.5 lakh	20%	₹5-10 lakh	20%
>₹2.5 lakh	30%	> ₹10 lakh	30%

Direct tax collections have grown at a brisk pace

Share of personal income tax is increasing

And targets are beginning to be met

Note: Direct taxes include corporation tax, taxes on income (including cess and surcharge), wealth and gift tax
* Revised estimates
GRAPHIC: KS GUNASEKAR

Bitcoin rings false as Jaitley tosses it out

Market players expect clarity on the issue soon

PRIYANKA PANI/ABHISHEK LAW
Mumbai/Kolkata, February 1

The bitcoin party seems to be over for Indian investors. With the Centre terming cryptocurrency as an illegal tender, market players are now expecting a legislation that would make the rules clear.

"The government does not recognise cryptocurrency as legal tender or coin and will take all measures to eliminate the use of these cryptoassets in financing illegitimate activities or as part of the payments system," Jaitley said.

Question of legality

However, market players said that the Centre's position is ambiguous since it was never a legal tender anyway.

"People are not allowed to pay for services or products through these digital currencies in India," said Vivek Sancheti, a Rajkot-based tech entrepreneur and a cryptocurrency investor, adding that the clarity will come in the next two-three days.

Several traders that *BusinessLine* spoke to were of the view that they are expecting some more clarity on whether trading in crypto-currency is allowed or whether it would be treated as a commodity.

On Thursday, bitcoin dipped below $4,000 as people started pulling out their investments frantically, however, by end of the day Bitcoin recovered $9,512 levels.

'Bring regulation'

"The intention is more likely to regulate the circulation to avoid its usage for illegal transactions. In addition, the government has recognised the viability of block chain technology that powers cryptocurrency.

"Efforts should be made to bring in regulations at the earliest to achieve this aim," said Rashmi Deshpande, Associate Partner, Khaitan and Co.

Indian players such a Zebpay and Unocoin did not issue any cautionary statements in this regard to their customers. In fact, the trading activity was as usual on the platforms.

Blockchain and crypto experts were also of the view that a blanket crackdown on bitcoins would end up wiping out many honest punters and boost illegal trade, which would be difficult to track.

"The government will now either come out with a legislative mechanism or make suitable amendment in existing legislation to ensure that dealing and trading in cryptocurrency is made illegal and to penalise entities and individuals who are involved in their trade and circulation," said Monish Panda, founder of Monish Panda & Associates law firm.

"We will have to wait and watch as to what will be the final framework of such legislation," he added.

The Voluntary Disclosure of Income Scheme

The scheme was seen as a success, but the CAG and the apex court frowned upon it

PRIYANKA PANI
Mumbai, February 1

AN IDEA THAT WORKED

Flushing out black money from the system has been the top priority of successive governments. But it was the Voluntary Disclosure of Income Scheme (VDIS) introduced by then Finance Minister P Chidambaram in 1997 that laid the foundation to many such subsequent schemes.

Under the scheme, any person hoarding undisclosed assets (gold, cash and real-estate) could disclose these assets, pay a tax of 30 per cent and escape any penalty. The scheme, in which a defaulter was not required to disclose the source or tenure of assets, turned out to be a huge success as corporates and individual hoarders were able to legalise their black income by paying a mere 35 and 30 per cent tax respectively.

"It was indeed a huge success that year (1997-98). Almost over ₹10,000 crore was collected through VDIS which was far more than what was recovered in the past," said HP Ranina, Corporate Tax Lawyer at the Supreme Court of India

According to data provided by Grant Thornton Advisory Private Ltd, over 350,000 people disclosed their income and assets under this scheme, which brought a revenue of ₹7,800 crore ($1.2 billion) to the Finance Ministry in just six months. The scheme was closed on 31 December 1997.

Riaz Thingna, Director, Grant Thornton Advisory Private Ltd, told *BusinessLine* that, "The VDIS was a very unconventional but successful step among Indian economic policies."

He further added that the reason why it became so popular was that it gave an opportunity to the income or wealth tax defaulters to disclose their undisclosed income at the prevailing tax rates and also ensured that the laws relating to economic offences would not be applicable for those defaulters.

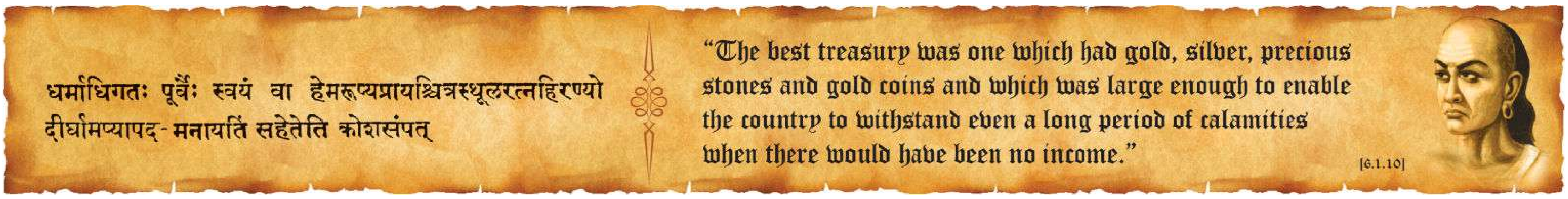
However, the Comptroller and Audit General of India condemned the scheme as a fraud on genuine and honest tax payers. Following this, the Supreme Court of India observed that such schemes should be avoided in future by any government.

According to tax experts, amnesty schemes are deterrent to the economy and also is prejudiced against the honest tax payers.

"The 70 per cent tax on disclosures has seen a very limited success as offenders would not want to lose all the assets," Thingna said adding that this was also a major reason why the government came up with the idea of demonetisation followed by income-tax notices and raids.

FACTOIDS

- **Who did it:** P Chidambaram
- **When:** 1997
- **Impact:** Over 3,50,000 people disclosed their income leading to revenue of ₹7,800 crore for exchequer.



Goyal gets the green signal to go full steam ahead

The Railways gets the highest allocation ever

OUR BUREAU
New Delhi, February 1

With a fresh focus on new infrastructure and the highest ever allocation for the railways and road sector, Finance Minister Arun Jaitley announced a capital expenditure of ₹1.48 crore for the railways in the Budget.

He said by next year people can use modern train-sets being developed at the Integral Coach Factory and the Railways will be transformed into an affordable, green mode of transport. The Railways will cross a total revenue of ₹2,00,840 crore this year, as per the revised estimates.

In FY 2019, Railways has a ₹1,48,528-crore plan, reflecting a threefold increase in Plan size against FY14, Railway Minister Piyush Goyal said at a Rail Bhavan conference. The Plan size for fiscal 2019 is higher than the revised Plan of ₹1,20,000 crore for the present fiscal.

The government has proposed a budgetary support of ₹53,000 crore for fiscal 2018-19. There is also a drop in the budgetary support to the railways for the fiscal 2017-18 — with the support being slashed by over a third to ₹40,000 crore against the budgetary estimate, and even ₹5000 crore lower than the previous year.

Market borrowings

There has been an increase in the market borrowing target — to ₹54,900 crore. This includes institutional finance of about ₹26,400 crore, to be used for project finance; and ₹28,500 crore for procuring rolling stock.

There are no indications on fares and freight tariffs in this Budget, as the Railways now changes tariffs through the year. A decision on dynamic fares will be taken soon, the Minister said.

Agencies add: Dedicated freight corridors are planned and electrification being taken up as a priority task for which Indian Railways is expected to explore other avenues to raise funds, the Finance Minister said.

WiFi and CCTVs will be progressively provided in all trains and there will be escalators at stations with a 25,000-plus footfall.

Fast-tracking a major network expansion, capacity creation

Companies supplying equipment, technology to Railways set to gain

SATYA SONTANAM
BL Research Bureau

The change

The capex of Indian Railways has been pegged at ₹1,48,528 crore, an increase of nearly 14 per cent from the previous year.

A significant portion of this allocation will be used to enhance the carrying capacity of the Railways.

This Railway Budget has emphasised the maintenance of track infrastructure and renewal of over 3,600 kilometres of tracks this year. It expects to take up 600 major railway stations for redevelopment. In a major push to Mumbai's transportation, ₹11,000 crore has been allotted to expand the city's rail network. In addition, development of 150 km of suburban network has been planned, at a cost of ₹40,000 crore.

The background

The Railways' revenue for fiscal FY-18 was revised to ₹1,87,425 crore, a marginal reduction of one per cent compared with what was budgeted. major portion of the revenue was derived from freight traffic, which contributed almost 63 per cent to the total revenue. Coal constitutes a significant portion of freight revenue, with a 42 per cent share, followed by iron ore and cement. In terms of revenue from passengers, the Budget has not announced any fare hikes but it did reduce the fare for premium class in the last year so as to compete with airlines and luxury buses.

Its operating ratio, the ratio of working expenditure to revenue, has been revised for FY-18 to 96 per cent, against the projected 94.6 per cent in the earlier Budget. This implies that to generate ₹100 of revenue, it has spent ₹96.

The verdict

The fortunes of the Indian Railways impact many listed players that supply equipment, technology and services to this sector. BEML, for instance, which supplies equipment such as integral railway coaches and overhead electric inspection cars, has gained by about 20 percent in the past year. ABB India, which makes rolling stock and provides the Railways lifetime service support, including maintenance and retrofitting, also rallied more than 50 per cent in the last year.

In the case of listed wagon manufacturing companies, while Titagarh Wagons has registered a decent return of about 38 per cent in the last year, Texmaco Rail and Engineering has shown a lacklustre performance. BEML, ABB and the other wagon companies will benefit from increased allocation to the railways and the government's thrust to improved rail infrastructure.

The Government's focus on strengthening rail safety may benefit Kernex Microsystems and Siemens, which supply signalling and telecommunication equipment to the railways. While Kernex gained by about 40 per cent, Siemens moved up about 15 per cent over the last year.

Urban commuters have reason to cheer

Almost 250 km of network to be added in Mumbai; Bengaluru Metro to be expanded

OUR BUREAU
Mumbai, February 1

Commuters travelling on Mumbai's over-crowded suburban rail system, the city's lifeline, will heave a sigh of relief following the Budget announcement that it would be expanded to add 90 km of double-line tracks at a cost of over ₹11,000 crore.

An additional 150 km of suburban network is being planned at a cost of over ₹40,000 crore, including elevated corridors on some sections, said Finance Minister Arun Jaitley. He did not indicate the time-line for completion of these projects.

Spread over 465 km , the suburban railway operates 2,342 train services and carries over 7.5 million commuters daily. By annual ridership (2.64 billion), the Mumbai suburban railway is one of the busiest commuter rail systems in the world.

To cater to passenger growth, the Mumbai Metro Rail Corporation Ltd has started work on the ₹23,136-crore, 33.5 km-long Colaba–Bandra-SEEPZ line, the first underground metro line in Mumbai.

When completed, the standard gauge metro line will connect the Cuffe Parade business district in the city's extreme south to SEEPZ in the north-central with 26 underground and one at-grade station. It is expected to reduce road congestion, besides reducing the load on the western line between Bandra and Churchgate.

In Bengaluru, a suburban network of approximately 160 km is being planned at an estimated cost of ₹17,000 crore to cater to the growth of the metropolis, Jaitley said.

UDAN effect may be minimal, say analysts

OUR BUREAU
New Delhi, February 1

The expansion of the regional air connectivity scheme (RCS) as proposed in the Budget is unlikely to see a major shift of rail passengers to the aviation sector. Pointing out that the seats subsidised by UDAN (the offficial name for the RCS) are just 40 per day, Amber Dubey, partner and India head of aerospace and defence, KPMG, said it will have negligible impact on other modes of traffic.

"What it will do, however, is bring an unconnected city on to the national aviation grid. It will expand the market by bringing in tourists and businessmen who may not otherwise have travelled to that unconnected city," Amber said.

Sharat Dhall, COO, Yatra.com said: "We expect that making it easier to travel between these cities will increase movement of people and help the travel market grow."

Synergies to propel growth

Abhijit Mishra, Director, India and Middle-East, Kayak, pointed out that while Udaan would bring with it new travel opportunities, the Railways will see traction from travellers for short distances as it is more cost-effective.

"With the government focusing both on railways and aviation, we see a perfect synergy of both the sectors coming together to propel growth in the tourism sector," he said.

Analysts point to difficulties, especially that the airports are far away from most cities, and lack transit connectivity, meaning passengers will be forced to pay for a taxi ride that could well be more than the airfare!

For instance, the Delhi-Shimla route, flagged off by Prime Minister Narendra Modi to launch the RCS. While the Delhi-Shimla fare was as low as ₹2,037, passengers would have to pay ₹ 2,500 as cab fare from the airport to the city.

It would be cheaper to take tje train from Delhi, reaching Shimla directly at a fraction of the cost of the air and taxi travel combined.

432

இவறலும் மாண்பிறந்த மானமும் மாணா
உவகையும் ஏதம் இறைக்கு

If the king is a stingy fatpurse or grinning bag of bluff
He commands no more respect than a stuffed sack of fluff

FROM OUR RESEARCH BUREAU

Bavadharini K S

Little relief for telecom players

The Change

With the need for data growing, the telecom sector is being put on a high-speed track to meet the growing data demand. There is specific focus on rural India. The Centre has increased its allocation to BharatNet to ₹8,175 crore for FY19 from ₹5,710 crore last year. BharatNet is an initiative to increase broadband penetration in rural India. Optical fibre cables (OFC) have been laid in over 1.6 lakh gram panchayats, and phase-I of the project, connecting one lakh gram panchayat, is completed. The project envisions providing reliable and high-quality internet connectivity in 2.5 lakh gram panchayats by the end of March 2019.

BharatNet will be one of the biggest 'Make in India' initiatives. Cable laying companies and cable network companies such as Paramount, Sterlite Technologies and Tejas Networks will benefit from this project. Telecom companies such as BSNL could also help in providing the infrastructure facilities. The Centre proposes to set up five lakh Wi-Fi hotspots that will provide access to internet to five crore rural Indians. Also, the Centre has plans to launch a 'DigiGaon' initiative to provide tele-medicine, education and skills through digital technology.

Takeaways

- Higher allocation towards BharatNet connectivity
- Increasesd internet penetration likely
- Supports 'Make in India' initiative by benefiting companies such as Sterlite Tech, Tejas Networks

The Background

Internet penetration in India is still low compared to global standards, though the entry of Reliance Jio in September 2016 has resulted in a surge in data consumption. In order to bridge the gap and provide internet to all, BharatNet was launched in 2012. Bharat Broadband Network Ltd (BBNL) manages the operation of BharatNet and provides broadband connectivity of 2 Mbps to 20 Mbps for all household and institutions in partnership with States and private players.

The Verdict

With the Centre's move to increase broadband connectivity and telecom players' active participation to increase subscriber base in rural areas, the digital divide would be reduced at a faster rate. But with no new reforms, declining average revenue per user, mass consolidation of the industry, high debt levels, there is little relief to the stressed telecom sector. Players such as Airtel and RJio have fortified their spectrum holdings. The Centre would have difficulty in raising funds through auction, given that spectrum bands that were recently acquired are set to expire after 10-15 years. The Budget has not met the financial needs of the industry reducing the spectrum usage charge, licence and GST rate on telecom services.

TWEETOSPHERE

This Budget has recognised the major weaknesses and shortcomings in our approach to education and made unprecedented commitments.

Nandan Nilekani
@NandanNilekani

A pit stop on the information highway

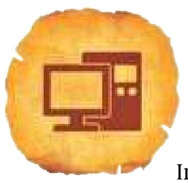
Centre moves ahead in connecting the unconnected, but privacy issues remain

OUR BUREAU

Mumbai, February 1

Ever since Prime Minister Narendra Modi launched the Digital India mission in 2015, successive Budgets have given lot of weightage and resources to projects under this mission. This year too the Finance Minister has announced a plethora of proposals including doubling the total allocation to ₹3,073 crore, additional ₹10,000 crore for the pan-India broadband network — BharatNet and establishment of 5 lakh Wi-Fi hotspots in rural geographies.

Prakash Mallya, Managing Director, Sales & Marketing Group, Intel India, said, "Today's Budget clearly pivots on a digital-first India, and recommendations made by the FM relate directly to the potential we see in the country."



There are a number of takeaways from the Budget. First, the NITI Aayog effort to institutionalise research and development in artificial intelligence reinforces the value that machine learning can bring to issues of national importance. If synergised with the work being done by the academia and industry, we can expect fast emerging use cases that can democratize AI in India.

Blockchain application

Second, exploring the application of blockchain in governance is a strong indicator of the government's intent to improve citizen services without compromising on security, especially as Aadhaar gets linked to citizen accounts. And finally, the DoT's establishment of an indigenous 5G centre is an encouraging sign of the government's view of collaboration with the broader technology ecosystem as the best strategy to accelerate the rollout of 5G infrastructure in India.

Benoy CS, Director, Digital Transformation (ICT) Practice, Frost & Sullivan said, "Government's plan to set up a Centre of Excellence to accelerate the adoption of new age technologies like Artificial Intelligence, machine learning and IoT will help in modernisation and automation of several industrial applications in the country, which in turn will help Indian companies in improving productivity and effectively compete at global scale."

Industry experts, however, said the focus should be now on execution of projects. The broadband network under Bharat Net,for example, has been delayed due to procedural issues. The Centre also needs to move faster on formulating laws for privacy and digital data protection.

"It is encouraging to see the government's focus on promoting development and use of the cutting edge technologies which will not only impact the economy but facilitate everyday life for its citizens. At the same a faster pace need to be made to introduce or amend the laws to regulate the usage of these technologies. With this we expect the passage of Data Privacy Bill soon," said Anand Bhushan, Partner, Shardul Amarchand Mangaldas – a leading law firm in India.

An old farmer holding a digital tablet GETTY IMAGES/ISTOCK

While at an overall level, Budget provides some indirect boost for growth of technology industry, it once again turned a blind eye to the challenging state of telecom industry in the country.

The operators have been under a financial crisis and were hoping to get some relief.

"For realising the Prime Minister's vision of a fully connected and empowered Digital India, we reiterate that the telecom industry is deeply disappointed that none of our key asks have found mention in the Budget," said Rajan Mathews, Director General, Cellular Operators Association of India.

VISUALLY | BAVADHARINI KS

Will the spectrum game continue?

Telecom companies have been stocking up on spectrum in the past couple of years. Given that the acquired spectrum can be used for many more years and the huge debt telcos have piled up, spectrum auction, if any, may find few takers

In a bid to improve data services, companies have stocked up on spectrum

Spectrum acquired (MHz)	In 2010		In Nov'12	In Feb'14		In Mar'15				In Oct'16				
	2100 MHz	2300 MHz	1800 MHz	900 MHz	1800 MHz	800 MHz	900 MHz	1800 MHz	2100 MHz	800 MHz	1800 MHz	2100 MHz	2300 MHz	2500 MHz
Bharti Airtel	65	160	1.25	18	97	0	61.2	15.4	35	0	18.8	25	130	0
Vodafone	45	0	28.75	23	49	0	42.8	5.6	30	0	42.6	40	0	200
Idea	55	0	37.5	5	60.2	0	54	20.4	5	0	54.6	20	30	170
Reliance Comm	65	0	0	0	0.6	26.3	10	11.8	0	0	5	0	0	0
Reliance Jio	0	0	0	0	78.8	48.8	0	28	0	15	39.6	0	160	0
Aircel	65	160	0	0	8.2	0	0	10	0	0	0	0	0	0

Note: This would not include spectrum acquired through acquisitions

Realisations have taken a hit due to increased competition

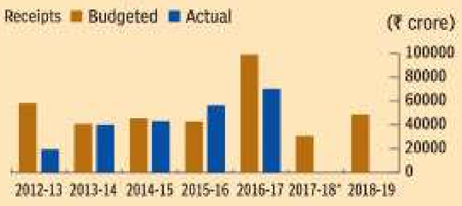
Telcos have piled on huge debt due to steep pricing of spectrum

Year	Price (₹)*	Frequency	
2012	4,550	800 MHz	*per 1.25 MHz spectrum
	3,500	1800 MHz	
2013	2,231	800 MHz	
	2,148	900 MHz	
	1,238	1800 MHz	
2014	4,279	800 MHz	*per 200kHz (Paired)
	680	900 MHz	
	285	1800 MHz	
2016	11,485	700 MHz	*per MHz spectrum
	5,819	800 MHz	
	2,632	900 MHz	
	2,648	1800 MHz	
	3,746	2100 MHz	
	760	2300 MHz	
	817	2500 MHz	

Long shelf-life of the spectrum acquired

Year of spectrum acquisition	2012	2014	2015	2016
Year of spectrum expiry	2032	2034	2035	2036

The Centre short of its 2017-18 target due to absence of spectrum auction



Source: Crisil Research, TRAI *Revised estimates

GRAPHIC: KS GUNASEKAR

Start-up tax holiday may not have any fruitful impact

OUR BUREAU

Mumbai, February 1

The Modi government that has been talking start-ups in a big way for almost last four years gave negligible importance to the segment in the Budget.

There was just one mention of the term start-up in the entire speech read by the Finance Minister and that too was used only as an indirect reference.

However, the Finance Minister did offer extension of existing tax sops to start-ups for additional two years, which came as a respite for some.

As per the previous provisions, start-ups incorporated on or after April 1, 2016 but before April 1, 2019, could enjoy tax breaks for three consecutive assessment years out of the seven years at the option of the start-up. However, the start-up needs to have revenues of less than ₹25 crore a year.

The same benefits will now be extended to start-ups incorporated from April 1, 2019 to April 1, 2021, which means newer start-ups will also be able to take advantage of the scheme. "There is also positive news for start-up ecosystem as the benefit of deduction u/s 80-IAC is extended to start-ups incorporated even after April 1, 2019 but before April 1, 2021," Mitesh Shah, Head of Finance, BookMyShow said.

"It wasn't a big benefit in the first place as it is applicable to start-ups with less than ₹25 crore benefit. Young start-ups with under ₹25 crore of revenue are rarely profitable and thus the scheme does not have much impact," said Harish HV, Partner – India Leadership team at Grant Thornton India.

Telecom sector cries on no mention of tax rebates

Govt pegs ₹48,661 crore revenue from stressed operators

S RONENDRA SINGH

New Delhi, February 1

Unhappy is the telecom sector with the Finance Minister Arun Jaitley's Budget. Feeling left out they said the Budget 2018-19 did not have much for the telecom sector, and the government also did not make much target revenue as it expected from spectrum auctions in the last year's Budget.

It has pegged 58 per cent increase in revenue at ₹48,661.42 crore from the stressed telecom sector in 2018-19 against the revised revenue estimate of ₹30,736.47 crore for the current fiscal.

The government had made a provision of ₹44,342.2 crore revenue from telecom services in 2017-18, through licence fee and spectrum usage charges, from telecom operators.

It was quite higher in the previous year because the government expected much from spectrum auctions, and according to analysts and industry experts, the spectrum auctions that give higher revenues to the government.

There were no auctions last year and the auctions in 2018-19 will depend on Telecom Regulatory of Authority recommendations. The Department of Telecom has sought for views from TRAI on spectrum pricing and timing for the auction.

According to the Cellular Operators Association of India (COAI), the Finance Minister Arun Jaitley had no mention about the telecom sector, which is the backbone digital highway.

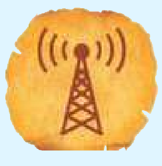
"While, the FM has emphasised the importance of moving to a digital economy, the actual digital highway, which is telecom has found no mention in terms of substantive support, unlike road, railway, highways, electricity, which have received substantial mention. We are saddened to see that telecom which is the bedrock for moving the Digital economy forward, continues to remain an Orphan," Rajan S Mathews, Director General, COAI, said.

He said the sector had sought a reduction in levies and taxes, and an urgent intervention is critical for resuscitating the sector, which is currently experiencing its worst financial health and hyper competition.

"We reiterate our four key asks, reduction extremely high and unsustainable levies and taxes, reduction in BCD on 4G LTE Equipment, clarity on right of way related taxation at the state level, and clarification on lowering the tax rate to one per cent on discounts extended to small dealers," he added.

Dialling for growth

- Government pegs ₹48,661.42 crore as estimation from telecom sector against revised revenue estimate of ₹30,736.47 crore for the current fiscal
- Sanction of ₹10,000 crore for BharatNet project, same amount as last year
- To provide 5-lakh Wi-Fi hotspots from 32,000 right now as part of this investment
- 5G Test Bed at IIT, Chennai
- Industry unhappy as no mention of tax rebates, but DoT says that will part of Telecom Policy 2018



But, according to Aruna Sundararajan, Secretary, Telecom, the DoT is already working on National Telecom Policy 2018 and hence it was not much necessary for a mention in the Budget.

"This was Budget…we are having a separate Telecom policy to see some of the other issues. The Budget was on expected lines (for us)," she said.

The Telecom Secretary was hinting on the proposals that the FM has announced for the BharatNet project, for which there is a sanction of another ₹10,000 crore in 2018-19. in the last year's Budget also, Jaitley had sanctioned ₹10,000 crore out of which ₹7,000 has been utilised till now, Sundararajan said.

Broadband access

The government proposes to set-up five lakh Wi-Fi hotspots that will provide broadband access to five-crore rural citizens as part of this investment.

The DoT has already activated 32,000 Wi-Fi hotspots in some parts of the country over the last one year.

Apart from this, the Finane Minister also announced to harness the benefit of emerging new technologies, particularly the 'Fifth Generation' (5G) technologies and its adoption. And, the DoT will support establishment of an indigenous 5G Test Bed at IIT, Chennai, Jaitley said.

Time to get future-ready

VENKATESH GANESH

Bengaluru, February 1

The Centre's focus on new-gen tech such as machine learning, robotics, Artificial Intelligence, digital manufacturing, IoT and analytics, to reskill, shows the government's efforts to make India future ready but would need increased support from the private sector.

Three years after it laid out the blue print for Digital India, the government has decided to double the allocation on one of the Prime Minister's pet projects. The latest proposal to invest ₹3,073 crore in research, training and skilling in the above mentioned areas comes at a time when society as a whole is transforming into a digital economy, led by the influx of technology in daily lives.

While on the one hand, it has opened new vistas for job creation, on the other hand it is making large swathes of India's 4 million IT workforce redundant. It is in this context that the government's efforts can be lauded as it creates a chain reaction amongst stakeholders. "When the focus comes from the authorities, it gives confidence to the industry and they would be open to participate in these initiatives," Kris Gopalakrishnan, co-founder Infosys told *BusinessLine*. Unlike the West, which has strong Research & Development facilities, backed by capital and industry-academia partnerships, India is still putting in place strong systems that can build on the $155-billion IT industry and fuel more job creation.

However, the move to embrace modern technologies has evoked mixed reactions amongst technolgy titans. Entrepreneurs like Elon Musk have openly said that artificial intelligence should be used in conjunction with humans and have questioned whether giants like Facebook know what they are doing. The general concern seem to be around job losses as machines develop the ability to learn themselves and make some jobs redundant, especially in countries like India which has a large informal economy, where millions of people are not equipped to adapt to changing work requirements.

"We cannot afford to not embrace modern technologies with a fear that they will take away jobs but instead need to maintain a balance," said Kamal Bali, chairman, CII Karnataka and MD, Volvo India.

While one pathway gets closed, industry watchers say automation opens the door for new job opportunities. "It can directly impact the lives of farmers, enhance industrial output and it has metamorphosised from science to politics," said Ashu Sinha, MD, Asia Pacific, RobonomicsAI.

FROM OUR RESEARCH BUREAU
Radhika Merwin

Not much to bank on

The change
Clear roadmap on banking reforms, tax concessions on bad loan provisioning and digital transactions figured on the top of the sector's wish-list. But all the Budget had to offer was some clarification on the tax front to ensure smoother resolution of stressed assets under IBC. As has been the case every year, the Centre has once again increased the agriculture lending target to ₹11 lakh crore from the record level of ₹10 lakh crore in the previous Budget. Exemption of interest income on deposits with banks and post offices from ₹10,000 to ₹50,000 for senior citizens should augur well for banks, as it would prevent flow of deposits outside the system into other financial instruments. But given that senior citizens mostly prefer bank deposits, this seems unlikely to have a very big impact.

Background
Saddled with huge bad loans and rising provisions, the banking industry has been demanding tax concessions on bad loan provisioning for a while. There was heightened expectation of it being granted in this Budget, given the elevated provisioning requirement for cases referred to the National Company Law Tribunal (NCLT) under the IBC. But the Budget did not pay heed to banks' request this time around, too. It did, however, offer some more clarity on the MAT provisions on notional profit arising out of debt waiver under the IBC.

Takeaways
- Agri lending target increased by 10 per cent
- Clarity on MAT provisions for IBC cases
- Setting off carry forward losses available for IBC accounts even if shareholding changes

As per the circular issued by the Central Board of Direct Taxes (CBDT) recently, companies under the IBC will be allowed to set off loss brought forward, including unabsorbed depreciation from the book profit for the purpose of levy of MAT under Section 115JB of the Income Tax Act. The legislative amendment enabling these changes has been brought in the Budget as expected.

Also, according to current tax regulations, benefit of setting off carry forward losses can be given only if the shareholding does not change (by more than 49 per cent). In the Budget it has been clarified that such restrictions will not apply in case of change of shareholding with regard to a resolution plan under IBC.

The verdict
Given that the Centre had already announced its mega bank recap plan of ₹2.1 lakh crore sometime back, expectations ran high on a clear roadmap to jump-start banking reforms in the sector, which the Budget has failed to address.

Also while the Budget has clarified on certain tax provisions with respect to IBC cases, it does not entirely address banks' issues. MAT tweak, for instance, still does not satisfy the demand from the industry of full waiver of such notional gain irrespective of brought-forward losses. Also the removal of restrictions in case of change of shareholding under IBC is also provided an opportunity of being heard, which has been given to the Principal Commissioner or Commissioner. This leads to a lot of ambiguity regarding cases already approved under NCLT.

Net on net there will be no significant impact on banking stocks from the Budget in the near- to medium-term. Given that PSU banks continue to be weighed down by bad loan provisioning, no tax relief on this count is marginally negative for them.

Missing in action: Banking reforms

▪ Budget fails to grant more autonomy to boards ▪ no roadmap for consolidation ▪ silent on disinvestments

RADHIKA MERWIN
BL RESEARCH BUREAU

The difficult gets done at once; the impossible takes a little longer. This is the sort of can-do attitude that everyone – industry, the regulator and the Centre – has been expecting from banks, despite the plethora of challenges they have been up against. In the last three to four years, a prolonged slowdown has impacted the investment cycle and taken its toll on bank lending. The staggering pace at which bad loans have been increasing – clearly a result of excessive lending in the past – has worsened the situation.

Bank credit, which grew at 2.5 to 3 times the real GDP growth, has slipped to 1-1.5 times in the past four years. The gross non-performing assets as a per cent of loans have only increased from 9.6 per cent to 10.2 per cent between March and September 2017. Hence, nothing much changed for the banking sector in the past year since the last Budget.

There has, however, been one silver lining to count. The Insolvency and Bankruptcy Code (IBC) is a giant leap forward from the earlier regimes, seeking quicker and more efficient resolution of stressed assets. But the large number of accounts under IBC have also led to elevated provisioning, further weakening the capital positioning of PSBs in particular.

Against this backdrop, the sector's expectations from the Centre this year were not difficult to hard-guess – sizeable capital infusion and tax concessions on bad loan provisioning.

What next?
By announcing its mega bank recap plan of ₹2.1 lakh crore some years back, the Centre had let the cat out of the bag on its capital infusion agenda. Very recently, it also announced the manner in which it planned to apportion ₹80,000 crore of capital between 20 public sector banks. So then, what was keenly awaited in the Budget?

Given that 11 banks under the RBI's corrective action have got 46 per cent higher capital than other PSBs, expectations ran high on a clear roadmap to jump-start banking reforms in the sector. While the Centre has laid down several reform measures that banks need to undertake, it was unclear on how these could be implemented without a complete re-haul of the governance structure. The Budget, sadly, yet again failed to set out a clear roadmap for granting more autonomy to bank boards, consolidation within the sector, or the Centre reducing its stake in PSU banks.

Agri lending
Given the Centre's increased focus on reviving agriculture growth within the economy, raising the agriculture lending target to ₹11 lakh crore in the Budget from the already record level of ₹10 lakh crore set last year, was only expected. Much of the credit flow into agriculture in the past has been propelled by policy thrust, particularly through priority sector lending (PSL) stipulations. The Centre's interest subvention scheme has also been running for a decade under which banks extend short-term crop loans of up to ₹3 lakh to farmers at a concessional rate of 7 per cent. Timely repayment is incentivised by an additional subvention of 3 per cent.

Outstanding bank advances to agriculture and allied activities have risen from about 13 per cent of GDP originating in agriculture and allied activities in 2000-01 to around 53 per cent in 2016-17.

But there are several weak links to the sizeable flow of credit to agriculture.

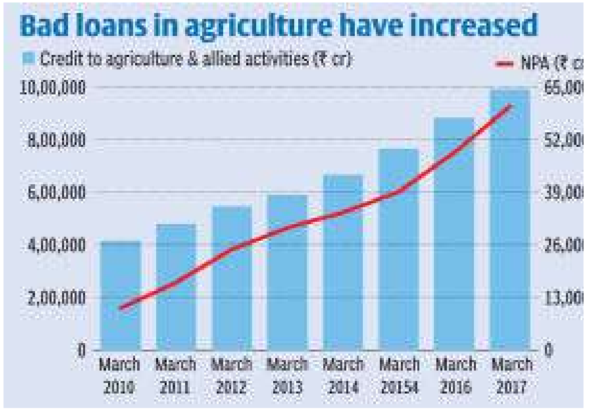
For one, the government's interest subvention for short-term crop loans, hasn't helped in prompt repayment. On the contrary, NPAs in agriculture loans have been rising sharply over the years.

From about 2.5 per cent some five years back, it is now a little over 5 per cent. The amount of NPAs have continued to rise – from around ₹10,500 crore in 2009-10 to ₹60,200 crore in 2016-17.

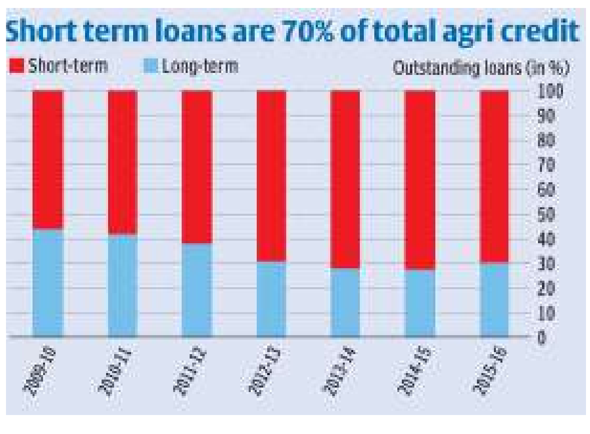
Bankers say that most of the farmers have become overleveraged over a period of time due to restructuring and doing out of additional funding. Hence, just as in corporate accounts, here too, the debt has to be split into sustainable and non-sustainable portions. As a one-time exercise, the unsustainable portion has to be written off, say industry players.

Notwithstanding this, the Centre has been doling out subsidy for such loans. In fact, the subsidy payout under the interest subvention scheme has gone up over nine times since 2009-10. This year, the allocation has been set at ₹15,000 crore.

Bad loans in agriculture have increased



Short term loans are 70% of total agri credit



Only a third of loans go to small farmers

Year (End-June)	Up to 2.5 acres: % of number of accounts	Up to 2.5 acres: % of total amount	Above 2.5 acres to 5 acres: % of number of accounts	Above 2.5 acres to 5 acres: % of total amount	Above 5 acres: % of number of accounts	Above 5 acres: % of total amount
2000-01	38.8	22.9	31.1	23.2	30.0	53.9
2001-02	40.0	23.3	32.3	25.8	27.7	50.8
2002-03	37.5	21.8	32.3	25.2	30.3	53.0
2003-04	39.9	25.7	31.5	24.3	28.7	50.0
2004-05	39.6	26.1	31.8	26.5	28.6	47.4
2005-06	38.8	26.6	31.4	26.2	29.8	47.2
2006-07	40.7	26.7	30.8	27.0	28.5	46.3
2007-08	38.3	26.7	32.1	26.8	29.5	46.5
2008-09	36.4	27.4	29.8	27.3	33.8	45.3
2009-10	35.2	28.8	28.9	27.0	35.9	44.2
2010-11	37.2	28.7	38.2	30.8	24.6	40.6
2011-12	40.5	31.8	35.6	32.3	23.8	35.9

Centre's payout has gone up

Govt to merge 3 general insurance companies

National Insurance Company, United India Insurance Company and Oriental Insurance Company to form single insurance entity

OUR BUREAU
Mumbai, February 1

The government's plan to merge the three unlisted public sector general insurance companies (PSGICs) – National Insurance Company, United India Insurance Company and Oriental Insurance Company – will create a giant much bigger than New India Assurance Company, India's largest general insurer, going by the insurance regulator's data for FY2017.

The three PSGICs, which along with New India Assurance received Cabinet approval in January 2017 to get listed on the stock exchanges, had initiated the process of tapping the capital markets.

Listing process
Following the announcement in the Budget that the three PSGICs will be merged and be subsequently listed, they will have now to halt the listing process. New India Assurance, which is also the largest PSGIC, got listed in November 2017. Going by the 2016-17 annual report of the Insurance Regulatory and Development Authority of India, New India Insurance Company was the country's biggest general insurer, with gross direct premium (GDP) collection of ₹21,598 crore in FY2017. It accounted for 16.50 per cent of the GDP of general and health insurers in FY2017. TheGDP of the unlisted three PSGICs put together amounted to ₹41,462 crore in FY2017. Collectively, they accounted for 32 per cent of the GDP of general and health insurers in FY2017.

K Sanath Kumar, Chairman-cum-Managing Director of Kolkata-headquartered National Insurance Company, said that as a single entity, the merged company would emerge stronger and its valuations improve. United India Insurance Company and Oriental Insurance Company are headquartered in Chennai and Delhi, respectively. The four PSGICs collectively accounted for 48 per cent of the GDP of the general insurers in FY2017.

Private sector general insurers (17) accounted for 41 per cent of the GDP of general and health insurers in FY2017. The balance was accounted for by specialised insurers and standalone health insurers.

Pricing, service will determine the success of national health insurance scheme

G NAGA SRIDHAR
Hyderabad, February 1

The success of the new flagship national health insurance scheme will depended on pricing and service, among others.

According to the Budget, the scheme will cover 10 crore vulnerable families and provide a cover of up to ₹5 lakh per family for secondary and tertiary hospitalisation. It is likely to benefit 50 crore people.

"In principle, 10 crore families is a big number and the scheme is positive," Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance, told *BusinessLine*, on Thursday.

The full structure of the scheme should be seen to ascertain the likely impact of the scheme on various stakeholders, he added.

Earlier schemes had an upper limit of ₹30,000 which could cover tertiary care. The scope of the new scheme ismuch larger and will help in the penetration of health insurance.

There will be challenges, too, going by the experience of existing low-cost insurance schemes.

Pricing will be the key for customers and industry. If the government prefers to implement it through a tender-driven process, which is the most-common practice, some players may resort to aggressive pricing.

BUDGET 2015-16
ANNOUNCEMENTS & ACHIEVEMENTS

The Centre was in an euphoric mood. The unprecedented fall in global oil prices came as a boon – it lowered inflationary pressures in the economy and allowed the government to improve its tax earnings by increasing taxes on petrol and diesel. And it was a year to implement some reform measures

Outcome of key announcements

A comprehensive Bankruptcy Code to be brought about in fiscal 2015-16 to improve ease of doing business
Action: The Code was passed by both houses of Parliament in May 2016. The Code has been implemented and several sick companies referred to it for rehabilitation

To launch Gold Monetisation Scheme, Sovereign Gold Bond and Indian Gold Coin to curb hoarding of gold and reduce imports
Action: Gold Monetisation Scheme and gold bonds were launched in October 2015. India Gold Coin was launched ahead of Diwali in November 2015. Gold bonds scheme is a success but the monetisation scheme had few takers

MUDRA bank to be set up to ease credit flow to the micro sector
Action: Pradhan Mantri MUDRA Yojana was launched in April 2016 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises. ₹4,57,185.23 crore has been disbursed as loans so far

Banks Board Bureau to be set up to improve the governance of public sector banks
Action: The Bureau started functioning in April 2016 as an autonomous recommendatory body with former CAG Vinod Rai as its chairman. It has been identifying and recommending people for top positions in public sector banks

Three new social security schemes to launched to provide insurance and pension to masses
Action: Lakhs of people have signed up for Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana launched in May 2015

Will Finance Minister's proposals be a boon to rural India?

GROUNDZERO

PRIYANKA PANI
Satara, February 1

For Rekha Rajendra Yadav, a daily wage farm labourer in Koregaon village in Maharastra's Satara district, this year's Budget holds a lot of promise. The 30-year-old, who had recently opened a savings account with Fino Payments Bank, will now be able to deposit more into her account, thanks to the measures taken by the government to boost the rural economy.

The Finance Minister, in his speech while addressing the issues in the rural sector, has taken measures to help distressed farmers, boost consumption and financial inclusion aimed at improving growth, jobs and private investment.

For villagers such as Rekha, more money with her means more savings. "I try to save about ₹1,000-1,500 in my bank every month out of my monthly earnings of ₹5,000. If the government works on creating more jobs in rural areas, then we would be able to save more for our future," Rekha told BusinessLine.

Another woman, Chhaya Karat, works for about 10-12 hours a day to earn about ₹300. She wants to buy a smartphone but hasn't been able to save enough. With the boost in rural economy, hopefully, Karat can go for a loan from a bank, which is ready to lend at her door-step.

Not many banks focus on providing small personal and structured loans to rural customers, but a boost in economy will improve the lending book of the banks, especially the new-age ones, say experts.

However, the measures by the government, if implemented properly, would not only help in improving the income levels in rural India but also boost rural banking.

The banking sector has hailed Arun Jaitely's Budget saying that it will create a need for people to open more bank accounts and boost transactions.

Rishi Gupta, MD & CEO, Fino Payments Bank, said: "For new-age banks like payments banks, these developments augur well as improvement in income levels is expected to drive more people towards using banking services and investing in relevant financial products." Ittira Davis, COO, Ujjivan Small Finance Bank, said that the bank already has a large focus in the rural area with the use of technology, and the government's will to improve internet connectivity in rural areas would just be an extra boon. Ravi B Goyal, Chairman & Managing Director, AGS Transact Technologies Limited, said that the focus on digital infrastructure will also help financial services. "As anticipated, digitisation is the foremost agenda this year as well. These initiatives will definitely enable the booming FinTech and Banking Payments Services industry to further enhance this growth."

GST woes
There were also some dampener, as the banking sector was hoping for a reduction in GST slab on banking services and duties on micro-ATM devices, which could further benefit the banking and financial services ecosystem. Besides, the new-age banks were also expecting 3-5 years of tax holiday specifically for the rural branches, which could have encouraged banks to expand their operations.

The measures by the government, if implemented properly, would improve the income levels in rural India

612

வினைக்கண் வினைகெடல் ஓம்பல் வினைக்குறை
தீர்ந்தாரின் தீர்ந்தன்று உலகு

Choosing action over inaction, effort over despair
Is what the world applauds; do not fear – dare!

Netas, stars in B-Day best, on Jaitley's day out

PRESS TRUST OF INDIA
New Delhi, February 1

Finance Minister Arun Jaitley today presented his fifth straight Budget in the Lok Sabha with a speech that lasted almost two hours.

He was greeted by Prime Minister Narendra Modi soon after he completed his speech which went on for one hour and 50 minutes.

Pat from Modi

The Prime Minister was often seen vigorously thumping the desk, prompting his Cabinet colleagues and NDA MPs to follow suit. Modi also kept encouraging his Finance Minister.

The loudest thumping of desk by the PM was witnessed when Jaitley spoke about the Pradhan Mantri Ujjwala Scheme, which was followed by his announcement of the National Health Protection scheme to cover 10 crore poor and vulnerable sections.

The 66-year old Finance Minister, who was wearing grey kurta and a black Nehru coat, read out his speech by sitting in his seat after delivering the address standing for 25 minutes. In the last few minutes, Jaitley again rose and completed his speech.

Arun Jaitley's wife Sangeeta and son Rohan leaving the Parliament House after the Finance Minister presented the Union Budget on Thursday KAMAL NARANG

Jaitely's wife Sangeeta and son Rohan were present in the Speaker's gallery to witness his Budget presentation.

He was also greeted by his Cabinet colleagues including Sushma Swaraj, Rajnath Singh and Nitin Gadkari.

However, no opposition leader came to greet him barring suspended BJD leader Baijayanta J Panda who also shook hands with the Prime Minister twice.

Congress President Rahul Gandhi was often seen engaged in small talk with Jyotiraditya Scindia and Kamal Nath in the entire Budget speech.

Gandhi, who came just after the proceedings commenced, left for a brief period but was back before the budget speech ended.

UPA chairperson Sonia Gandhi, Lok Sabha Deputy Speaker M Thambidurai, Congress Leader in the Lok Sabha Mallikarjun Kharge, former Prime Minister HD Deve Gowda, Samajwadi Party leader Mulayam Singh Yadav and other opposition leaders were also present.

Chandrakant Khaire, MP of Shiv Sena which has announced that it would go solo in the 2019 Lok Sabha and State assembly polls, walked up to Jaitley and greeted him.

A number of Rajya Sabha MPs were also seen in the gallery meant for the members of the Upper House.

Among those present were Majeed Memon (NCP), Rajeev Chandrashekar (Independent), Naresh Gujral (SAD), Swapan Dasgupta (Nominated), D Raja (CPI), Vinay Sahrasabuddhe (BJP) and Parimal Nathwani (Independent).

Jaitely was the star attraction of the day. He was in his seat well before the House convened for the day. The Lok Sabha staff provided him with a lapel microphone.

As the Finance Minister kept speaking of the 2022 target for full implementation of several schemes, Kharge interrupted him saying whether Jaitley was reading the Budget speech for 2018-19 or 2022.

Unperturbed

But an unperturbed Jaitley kept reading his speech, ignoring the opposition barbs.

However, when Jaitley was announcing the relief to Medium Small and Micro Enterprises, the opposition raised a hue and cry stating that concessions were being given to the corporates. Jaitley hit back asking, "Madam (Speaker), are they opposing to any concession to the MSMEs?"

BJP MP and cine star Shatrughan Sinha, who has been vociferous in his criticism of the Modi government, was seen patiently listening to the speech.

Sinha was also seen engaged in small talk with his party colleague from Bollywood Hema Malini, who was sitting in the fourth row but across the aisle.

Senior BJP leader LK Advani was seen in a very playful mood today. Dressed in navy blue safari and sporting a cap of the same colour, he entered the House five minutes before 11 AM when the proceedings began.

Jaitley was already sitting in his seat. As Advani walked up to occupy his seat, Jaitley greeted him. But oblivious to it, Advani was accepting greetings of senior BJP MP Shanta Kumar and Union Minister Pon Radhakrishnan.

As Advani took his seat next to Jaitley, the veteran leader smiled and had a brief talk, while the finance minister was seeing patting the BJP' veteran's hands.

Several MPs, mostly from BJP, were seen in colourful and wide-ranging headgears. Urban Development and Housing Minister Hardeep Singh Puri wore a lavender turban matching his jacket while SAD's Prem Singh Chandumajra and AAP's Bhagwant Mann stuck to their regular saffron and yellow colours, respectively.

Minister of State for Parliamentary Affairs Arjun Singh Meghwal wore a saffron and green pagdi while Sakshi Maharaj was in his regular saffron headgear.

Keeping vigil

Bags containing Budget papers inside the Parliament premises KAMAL NARANG

Note ban, an 'Imandari Ka Utsav'

PRESS TRUST OF INDIA
New Delhi, February 1

Finance Minister Arun Jaitley today likened the demonetisation drive of 2016 to a celebration of honesty, saying honest taxpayers received the move to tame black money as 'Imandari Ka Utsav'.

There has been a huge increase in the number of returns filed by taxpayers, Jaitley said while presenting the Budget 2018-19 in Parliament today. "We are enthused by this success of our measures and we pledge to continue to take all such measures in future by which the black money is contained and the honest taxpayers are rewarded. Demonetisation was received well by honest taxpayers as 'Imandari ka Utsav' only for this reason," he said in his speech, the last full year budget of government before the general elections next year.

In 2016-17, there were 85.51 lakh new tax filers as against 66.26 lakh in the preceding fiscal year, he said.

The number of effective tax payer base increased to 8.27 crore at the end of fiscal ended March 2017 from 6.47 crore at the beginning of 2014-15, he said.

The Finance Minister said the economy is getting more formalised post note ban as more and more transactions now happen digitally. "Benefits to the poor have been targeted more effectively with use of digital technology. Demonetisation of high value currency has reduced the quantum of cash currency and circulation in India."

BUDGETS AT A GLANCE

Now in its 25th year, *BusinessLine* hit the stands a few weeks before the then Finance Minister, Manmohan Singh, presented yet another pathbreaking Budget, for 1994-95. Since then, we have covered Budgets in-depth, combining accuracy with analysis. Here, we present a selection of Page 1 coverage of Budgets — the first Budget covered by *BusinessLine*; P Chidambaram's 'Dream Budget' for the United Front Government; Yashwant Sinha's 2002-03 Budget, widely dubbed the roll-back Budget; the UPA's first Budget, also presented by P Chidambaram; UPA's last Budget; and, the Narendra Modi Government's first and Arun Jaitley's maiden Budget.

THE HINDU BUSINESS LINE

Customs peak rate 65%

Corporate tax cut to 40%

Taxes slashed to spur growth

Tax on insurance, phones, broking

Term lending rate cut

IT relief for individuals

Outlay hike for social sectors

Budget deficit Rs. 6,000 cr.

Convertibility extended

Highlights

A Stimulus Package

Tax proposals

*The **1994-95** Budget presented by the then Finance Minister Manmohan Singh, under the Prime Ministership of PV Narasimha Rao, was the first one after BusinessLine was launched, in January 1994*

Business Line

Chidambaram cuts taxes with gusto

Rs. 2,625-crore give-away in customs duties

Are happy days for corporates here again?

Buy-back of shares becoming a reality

*P Chidambaram's second Budget as Finance Minister, for **1997-98**, was widely dubbed the Dream Budget, when the United Front Government's Finance Minister cut taxes.*

Business Line

Sinha lands a knock-out punch

Rs 12,700 crore extra taxes on individuals, corporates

Sensex goes south

Few carrots for pvt investment

*Finance Minister Yashwant Sinha's Budget for **2002-03**, under the Vajpayee Government, was described as the roll-back Budget, as MPs, including several ruling party members, protested several proposals and many of them had to be rolled back*

Business Line

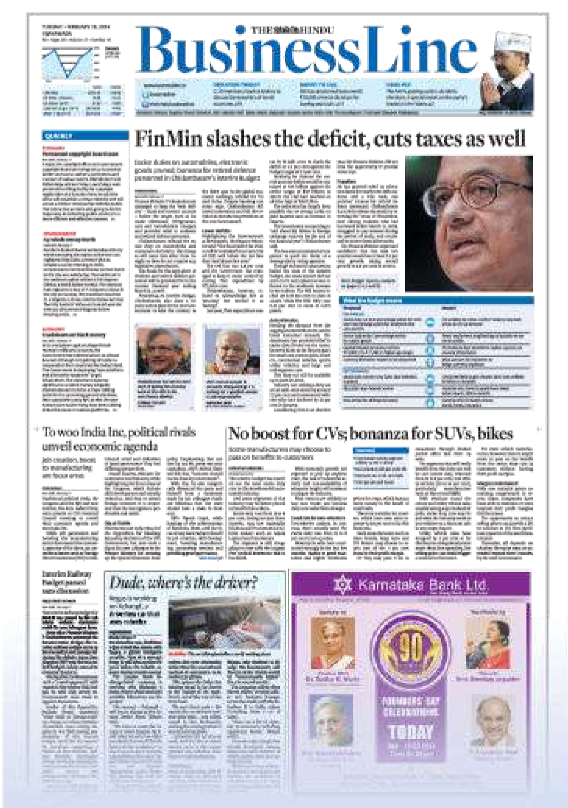
Chidambaram plays the popular tune

Tax breaks for farm sector and lower middle class

'Budget is not inflationary'

Thumbs down by markets

*The UPA Government's first Budget after it came to power in the elections held in **2004**, presented by P Chidambaram*



BusinessLine

FinMin slashes the deficit, cuts taxes as well

To woo India Inc, political rivals unveil economic agenda

No boost for CVs; bonanza for SUVs, bikes

Dude, where's the driver?

*The interim Budget presented by P Chidambaram was the last one by the UPA Government, before the elections held in **May 2014***

BusinessLine

Piecemeal but pragmatic

'We will not legislate to create fresh liabilities'

Loud silence on Govt's fuel subsidy bill

*The NDA Government's first Budget and also Arun Jaitley's maiden effort, after the BJP-led NDA came to power in the elections in **2014***

अल्पकोशो हि राजा पौरजानपदानेव ग्रसते

"A king with a depleted treasury eats into the very vitality of the citizens and the country."

[2.1.16]

FROM OUR RESEARCH BUREAU

PARVATHA VARDHINI C

A blow to stock market investors

The change

For shares and units in equity-oriented mutual funds sold after one year of holding, a long-term capital gains (LTCG) tax will now be chargeable at 10 per cent on gains over ₹1 lakh. To bring parity between those opting for growth and dividend options in equity funds, dividends from equity-oriented mutual funds will also be taxed at 10 per cent. These new rules will apply for LTCG made from April 1, 2018.

The gains till the date of announcement of this change will be left out of the tax net. As per the Finance Minister's example, if an equity share is purchased on July 31, 2017 at ₹100 and the highest price quoted on January 31, 2018 for the same is ₹120, there will be no tax on the ₹20 so far gained if this share is sold after one year from the date of purchase (since the announcement has been made only on February 1, 2018). Any gain in excess of ₹20 earned after January 31, 2018 will be taxed at 10 per cent if this share is sold after July 31, 2018. The gains from equity shares/funds held up to one year will remain short-term capital gain and will continue to be taxed at the rate of 15 per cent.

The background

With the market on a purple patch and the Government too looking for additional revenues to balance the fisc, the LTCG tax on equities is not a total surprise.

Equities have enjoyed pride of place among asset classes with capital gains on holdings over one year being considered long-term and enjoying tax-free status. The move to remove this cult status has not come overnight. The Direct Taxes Code, introduced by the UPA government, first mooted this proposal. A revised version of the Code (which lapsed with the dissolution of the UPA government in 2014), suggested an LTCG tax on equities but provided 100 per cent and 50 per cent deduction respectively for long- and short-term gains respectively, effectively making LTCG tax-free again.

The verdict

Every cloud has a silver lining. The good news is that this tax is not applicable retrospectively. Second, small investors need not fret so much as only gains over ₹1 lakh will be taxed. Going by the Budget speech, this move is targeted at corporates. According to the Finance Minister, tax-free LTCG on equities has created a bias against manufacturing, leading to more business surpluses being invested in financial assets.

Third, unlike Securities Transaction Tax which is paid by an investor irrespective of whether you have made profits or not, LTCG tax will be paid only on gains. Also, LTCG tax can help long-term investors set off their losses in one year when the markets are bearish against gains in another year.

Takeaways

Tax on long-term gains in stocks and equity funds

Small investors not hurt much

Setting off long-term loss against long-term gains will now be possible

He gave benefits, then took them away

Both will pinch: Withdrawal of tax exemption on medical and transport allowances and a higher IT cess

ANAND KALYANARAMAN

BL Research Bureau

Not much has changed – to the big disappointment of salaried taxpayers, especially those below 60 years of age. What the Finance Minister has given with one hand, he has mostly taken with the other. So, while standard deduction of ₹40,000 has been allowed for salary income, the tax exemption on medical expense reimbursement (₹15,000) and transport allowance (₹19,200) has been removed. Ergo, salary earners get a net reduction in taxable income of just ₹5,800 a year.

For a salaried taxpayer who currently also gets medical and transport allowance (generally those employed and aged less than 60), the net tax benefit, excluding cess, will range between ₹290 (for those in the lowest 5 per cent slab) to ₹1,740 (for those in the highest 30 per cent slab). This meagre benefit too will be chipped away by the increase in cess on tax from 3 per cent now to 4 per cent.

For high salary earners, the outgo due to increase in cess could, in fact, be more than the tax saved. But for salaried taxpayers who do not get medical and transport allowance (generally those aged 60 or more earning pension income), the standard deduction of ₹40,000 could mean some good tax savings – ₹2,000 (for those in the 5 per cent slab) to ₹12,000 (for those in the 30 per cent slab) excluding cess. But in this case too, the benefit will be reduced by the increase in cess on tax.

The background

BUDGET 2018-19

No big tax break, still

Yet again, hopes of big tax breaks for the salaried class come undone. The Budget has allowed standard deduction of ₹40,000 on salary income but removed tax exemption on medical and transport allowance. Cess on tax has been hiked by 1 percentage point.

	INDIVIDUAL (Upto 60 years)			SENIOR CITIZEN (60-80 years)			SUPER SR. CITIZEN (Above 80 years)		
NET INCOME	₹600,000	₹1,200,000	₹1,800,000	₹600,000	₹1,200,000	₹1,800,000	₹600,000	₹1,200,000	₹1,800,000
CURRENT TAX	₹9,013	₹123,600	₹309,000	₹6,180	₹119,480	₹304,880	-	₹109,180	₹294,580
BUDGET 2018 PROPOSAL	₹8,798	₹122,990	₹310,190	₹3,120	₹101,920	₹289,120	-	₹91,520	₹278,720
BENEFIT	₹214	₹610	(₹1,190)	₹3,060	₹17,560	₹15,760	-	₹17,660	₹15,860

Individuals Current slab rate		Budget 2018 Proposed slab rate	
0-250,000	Nil	0-250,000	Nil
250,000-500,000	5%	250,000-500,000	5%
500,000-1,000,000	20%	500,000-1,000,000	20%
1,000,000 and above	30%	1,000,000 and above	30%

Current education cess is 3% of total tax and Budget 2018 has replaced this with Health and Education Cess of 4% of total tax

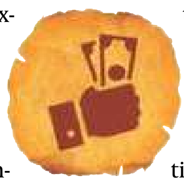
	CURRENT LIMIT OF TAX DEDUCTIONS	BUDGET 2018 PROPOSED LIMIT
80C	150,000	150,000
80D:		
Individual	25,000	25,000
Senior citizen	30,000	50,000
Super senior citizen	30,000	50,000

The above tax liability is after considering 80C deduction of ₹150,000 and 80D deduction. Proposed 80D deduction for individual is ₹25,000 and for Senior & Super Senior Citizens is ₹50,000 (which is ₹30,000 currently). Standard deduction of ₹40,000 given to the salaried class taxpayers across all age groups. However, transport allowance (₹19,200) and medical allowance (₹15,000) has been withdrawn from those currently working i.e. individuals aged less than 60 years. Cess increased from 3% to 4% on total of income tax. In case of Senior citizens (60 yrs to 80 yrs) basic exemption limit is ₹3 lakh and in case of super senior citizens (80 yrs or more) it is ₹5 lakh

Source: Nangia & Co. LLP

Compiled by Anand Kalyanaraman

Hopes were running high. Individual taxpayers expected a sharp increase in the tax exemption limit (currently ₹2.5 lakh for those under 60, ₹3 lakh for those aged 60 up to 80, and ₹5 lakh for those aged 80 and more). They also hoped for an increase in the Section 80C investment limit (currently ₹1.5 lakh), higher tax breaks on medical reimbursement and children's education allowance, and increase in tax deduction on interest payment on home loans (₹2 lakh currently).



After all, the last major tax breaks came during the July 2014 Budget. Inflation has eroded the tax benefits, and with the 2019 general election just about a year away, taxpayers hoped the Government would finally heed their demands. But the Finance Minister has thought otherwise, maybe due to a tight fiscal position. He restricted his largesse to the elderly who have been given higher tax breaks on health insurance and interest incomes. For salary earners below 60, the wait continues.

The verdict

Big hopes have been dashed, again.

Now, pay more for mobiles

RAJESH KURUP

Mumbai, February 1

Dadar-based undergraduate Durga Panesar has been saving up to buy a brand new smartphone for his birthday coming up next month. He will now have to wait a little longer to save up some more cash with the Finance Minister hiking customs duties on mobile phones to 20 per cent from the earlier 15 per cent.

In the Finance Minister's own words, the hike on certain items was a "calibrated departure" from the long-standing practise of generally slashing duties. While the move would definitely boost 'Make in India' initiatives and create jobs, mobile handsets would be costlier by up to 5 per cent.

"The prices of mobile handsets – across the spectrum - would definitely rise, and this is going to be a challenge as the industry is looking at increasing penetration of smartphones in the country," Cellular Operators' Association of India (COAI) Director General Rajan S Mathews told *BusinessLine*.

However, consumers like Durga could still buy a phone assembled in India.

"There will be no impact on semi-knocked down kits, but the impact will be on completely knocked down units, which are coming in mainly from China and South Korea. More than 80 per cent of the handsets are brought in from China," Yogesh Bhatia, Managing Director of feature phones manufacturer Detel said.

Silver years set to become easier

K VENKATASUBRAMANIAN

BL Research Bureau

The Finance Minister has done his bit to make the lives of citizens financially less burdensome. What he did not give by way of IT slab or rate concessions has been largely made good through fresh deductions to the tune of nearly ₹1.4-1.5 lakh. Effectively, a senior citizen in the 30 per cent tax bracket would can now save up to ₹45,000 (excluding cess) additionally in 2018-19, if she were to take all these benefits.

Higher deductions for interest income, increased limits for medical insurance premiums and treatments, and enhanced provisions for illnesses are set to put more money in the hands of all senior citizens. The investment limit in the Pradhan Mantri Vaya Vandana Yojana has been increased, which would mean higher pension amounts.

Interest savings

From just a deduction of ₹10,000 being allowed for savings bank interest under Section 80TTA, senior citizens are now allowed deduction up to ₹50,000. This enhanced deduction is applicable to all fixed and recurring deposits across banks and financial institutions. The enhanced deduction limit would be available under a new section, 80TTB.

Additionally, the TDS threshold on deposits would be increased from ₹10,000 to ₹50,000. The only caveat is that the ₹10,000 that was available for savings bank interest deduction would now not be allowed.

Incentive for medical care

Getting a medical insurance just got more lucrative as the deduction under section 80D has been increased from ₹30,000 to ₹50,000. Also, where premiums are paid for two years together (to get relatively cheaper rates), the amount can be split equally for both the years. For the treatment of certain specified illnesses, the deductions have been increased from ₹60,000 to ₹1 lakh.

Standard deduction introduced

Now senior citizens too would be allowed to deduct ₹40,000 from their taxable income. This will be in addition to their regular investment allowances and deductions. This move is expected to benefit pensioners who do not have the benefit of deductions on rent payment.

Takeaways

Nearly ₹1.5 lakh in fresh deductions for seniors

Up to ₹45,000 savings for those paying 30 per cent tax

Standard deduction and higher limits in pension scheme

Some cheer for senior citizens

AMRITA NAIR-GHASWALLA

Mumbai, February 1

Meena Singh is thoroughly relieved at the Finance Minister's 'people-friendly' budget. The additional sops announced for senior citizens received much kudos, as did the medical benefits extended to the aged.

Announcing a series of benefits for senior citizens, Finance Minister Arun Jaitley raised the exemption limit five times on income from fixed deposit interest, from ₹10,000 to ₹50,000 per year. "This will help us save more for my in-laws, who should enjoy their money in their old age rather than pay taxes," said Singh.

Singh's father is a Navy veteran living in Dharamshala with her mother. "The FM should have altered the income-tax slabs for individuals, which would have generated more disposable income. However, the increase in the deduction limit for medical expenditure of certain critical illnesses to ₹1 lakh for senior citizens is really commendable," Singh said.

As senior citizens will now be able to claim benefit of deduction up to ₹50,000 per annum on any health insurance premium or any general medical expenditure that has been incurred, Singh was all praise for the government. "It is high time the government realises that there is this class of citizens living in the country who need to be looked after. Other than their children, there has to some other authority to take on some of the responsibility of the aged. Look at what is happening abroad, wherefrom though not practising at the moment.

SHASHI ASHIWAL

Mother to two small girls, Singh is not too perturbed about the hike in customs duty on perfumes, sunglasses, make-up, and fruit juices. However, she is upset about the hike in customs duty on imported toys.

Movers & Shakers

A SPACE MARKETING FEATURE

Trailblazer in the logistics industry

SWATI AMAR

One man, one dream, one team can establish an empire of paramount global significance. Single-minded focus and determination are all the ammunition required to give fruition to one's fiery ambition of being a trailblazer. K.Chandramohan, Founder & Chairman & Managing Director of NTC Logistics India (P) Ltd., (formerly known as Namakkal Transport Carriers Pvt. Ltd.) or NTC as it is popularly known, stands testimony to this fact.

The multi-billion rupee company has not only set global benchmarks in the logistics industry, but has also heightened the magnitude of universal respect and esteem for the Indian logistics industry as a whole. Enabling the mind-boggling rise of this once petite transport company ensconced in a sleepy town in south India are exceptional qualities and values that NTC stands for. Perceptiveness in adopting the best business practices, innovation, astuteness in embracing new and emerging technologies for enhanced productivity and quality of service, forging of effective global collaborationsand an employee-centric approach that infuses a high sense of team spirit are the underlying values NTC abides by in its penchant for wreaking astounding success in the Logistics industry.

NAVIGATING UNCHARTED TERRITORIES

K. Chandramohan's hometown, Namakkal in Tamilnadu, has been a renowned destination for transportation and logistics. Growing up, his passion for creating a niche in the automobile industry impelled him to start Namakkal Transport Carriers at the age of 27, with a single vehicle. Despite its humble genesis, NTC is one of the largest fleet owners in the country today and Chandramohan is the only entrepreneur in the ecosystem who has built a multi billion logistics empire, providing direct and indirect employment to thousands of employees across the country.

NTC has forged partnerships with global players across 120 countries, delivering customized solutions to a wide array of industries including renewable energy, engineering & manufacturing, earth-moving, oil & gas, automobile, metals & mining, consumer durable, life-sciences & healthcare and FMCG. NTC operates with nearly 30 branches in the country and is rapidly spreading its tentacles across all states. Their pan-India presence enables them to offer seamless services to their customers all over the country. NTC extends beyond transportation and customer requirements to provide end-to-end solutions in logistics.

FOUR PILLARS OF SUCCESS

A leader in four verticals including Project Logistics, Renewable Energy, Freight Forwarding and Contract Logistics solutions worldwide, their Project Logistics division specializes in movement of heavy & ODC consignments and renewable equipment offering seamless turnkey solutions right from budgeting, planning to successful project execution .

NTC holds an esteemed spot in the renewable energy space, since it is the world's largest wind and solar energy logistics player. With a strong and well-maintained fleet of 2000+, their ODC fleet division ranks among the best in terms of assets, infrastructure as well as technology. NTC runs its own modern Institute of Driver Training and Research to train and educate drivers.

Their Freight Forwarding division provides top-drawer solutions to customers across the world through partners in over 100+ countries. Contract Logistics is the game changer for future global logistics operations. NTC is striving to optimize business operations by offering world-class design, planning and distribution systems.

NTC has also forayed into cranes and open ware housing and aims to have fully digitalized ware housing facilities of 100 Lakh sq.ft. by 2020.They have state-of-the-art maintenance facilities at Chennai, Namakkal, Trichy, Bangalore, Baroda and Kolhapur. With a presence in Singapore and Malaysia, NTC is in the process of expanding its activities in Australia, South Africa, Sri Lanka, Europe, Hong Kong, Bangladesh and many other countries.

> LIVE HUMBLY, THINK HIGH AND BE AN ACHIEVER
>
> K.CHANDRAMOHAN, CHAIRMAN & MANAGING DIRECTOR, NTC LOGISTICS INDIA PVT.LTD.

TAKING THE BULL BY ITS HORNS

Chandramohan had to contend with seemingly insurmountable challenges during the start-up stage. Banks and financial institutions did not extend finance support to transport companies and borrowing had to come from unorganized lenders at heavy interest rates. Statutory limitations posed challenges in their commitment to meet industry requirements. There was a dearth of skilled workforce as well as a talent pool with domain knowledge and experience. Non-availability of trained drivers to handle sophisticated vehicles was another major hurdle, which led to the emergence of their own Institute of Driver Training and Research at Namakkal. NTC's foresight, focussed approach and the ability to adapt to changes have led to the emergence of the company as a leader in the Logistics industry.

THE HUMAN TOUCH

NTC's remarkable accomplishments in the logistics industry have been bolstered by their Corporate Social Responsibility endeavours. All policies of NTC are outlined keeping in view, the benefit of its employees, stakeholders, consumers, communities, environment and the society at large.

NTC is involved in developing rural areas by improving the basic standards of living, providing access to drinking water, sanitation, housing and electricity and funds to construct regional parks. The Palaniammal Kandasamy Charitable (PKC) Trust established in memory of his mother, late Mrs. Palaniammal, offers social and financial support to economically weaker sections, especially the rural youth to-help develop sector-specific skill. This charitable trust is focussed on developing educational institutions, particularly transport education. All round development of skill, knowledge and expertise of drivers is another passionate agenda for NTC.

The PKC Trust also extends financial support to Government Higher Secondary School, Konur towards infrastructure, amenities and educational facilities for children from impoverished families. NTC works with medical organizations to provide free medical facilities andto organize eye camps, blood donation camps and AIDS awareness camps. With great reverence to environmental cause, NTC takes protective measures for plant and animal welfare, agro-forestry, reducing deforestation and conservation of natural resources.

Their Strategic EqualityPlan (SEP) is committed to employee welfare, public service, improving the lives of people and creating a fair and equal society for all.

For further details please mail to enquiry@ntcgroup.in

COMPANY SERVICES

PROJECT CARGO
- Projects & Engg - Over-dimensional Cargo, Heavy Lifts & General Transportation
- Renewables - Wind Equipment, Solar & Hydropower

FREIGHT FORWARDING
- Air & Ocean Freight
- Support supply chain management
- Several air carrier options
- Own CHA license at all locations
- No size/weight limitations
- Chartering & Break bulk to many global seaports
- Serving different industries

CONTRACT LOGISTICS
- Services include warehousing, logistics planning, execution and SCM
- Value-rich CFS/ICD solutions
- Dedicated warehouses for imports & exports
- State-of-the-art documentation & clearance
- LCL/FCL container destuffing

AWARDS FOR NTC GROUP

- CII SCALE National award for supply Chain & Logistics Excellence for 2017 under the "Porject Cargo Category"
- 9th South East Cargo & Logistics Awards 2017 - Winner of Logistics Company of the Year Award
- Apollo CV Awards 2017 - Best Practice Adopter of the Year 2017
- 8th South East Cargo Logistics Awards 2016 - Winner of Project Cargo Mover of the Year Award
- "Times Logicons Awards 2017 - Best CHA in Large Customer Handling Award and Best Transporter Award constituted by Times Group"

THE LITTLE GIANT: Industry leader NTC Logistics recently acquired the best-in-class payload weight distribution and transportation system, the Girder Bridge. With a dead weight of 100 metric tonnes, it can carry cargo up to 375 tonnes to a length of 15 metres. The core carriage bay has minimum ground clearance of 200 mm.